SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(MARK ONE)

(x) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 (Fee Required)

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1993

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 (No Fee Required)

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 0-6430

OWENS & MINOR, INC.
(Exact name of Registrant as specified in its charter)

VIRGINIA	54-0327460
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4800 COX ROAD GLEN ALLEN, VIRGINIA (Address of principal executive offices)	23260 (Zipcode)

(804) 747-9794
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Title of each class	Name of each exchange on which registered
Common Stock, $2 par value	New York Stock Exchange, Inc.
Preferred Stock Purchase Rights	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act:
NONE
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the

registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in any definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ( )

The aggregate market value of Common Stock held by non-affiliates (based upon the closing sales price) was approximately $448,061,094 as of March 4, 1994. In determining this figure, the Company has assumed that all of its officers, directors and persons known to the Company to be the beneficial owners of more than five percent of the Company's Common Stock are affiliates. Such assumptions shall not be deemed conclusive for any other purpose.

The number of shares of the Company's Common Stock outstanding as of March 4, 1994 was 20,396,601 shares.

DOCUMENTS INCORPORTED BY REFERNCE

Portions of the Owens & Minor, Inc. Annual Report to Stockholders for the year ended December 31, 1993 (the "1993 Annual Report") are incorporated by reference into Part II of this Form 10-K and portions of the Owens & Minor, Inc. definitive Proxy Statement/Prospectus for the 1994 Annual Meeting of Shareholders (the "1994 Proxy Statement") are incorporated by reference into Part III of this Form 10-K. With the exception of the specified information referred to in Items 5, 6, 7, 8 and 14 hereof, the 1993 Annual Report is not deemed to be filed as a part of this report.

TABLE OF CONTENTS
and
CROSS REFERENCE SHEET

* Information related to this item is hereby incorporated by reference to the 1993 Annual Report.
** Information related to this item is hereby incorporated by reference to the 1994 Proxy Statement.

FORM 10-K

OWENS & MINOR, INC.

PART I

Item 1. Business

Owens & Minor, Inc. (the "Company") was incorporated in Virginia on December 7, 1926 as a successor to a partnership founded in Richmond, Virginia in 1882. The Company is a wholesale distributor of medical/surgical supplies and carries over 104,000 products and operates 36 distribution centers serving hospitals, nursing homes, alternate medical care facilities and other institutions nationwide. The Company also distributes pharmaceuticals and other products to independent pharmacies and chain drug stores in south Florida. The Company's common stock is traded on the New York Stock Exchange under the symbol OMI.

On December 22, 1993, the Company entered into an agreement with Stuart Medical, Inc. (Stuart) whereby the companies will combine their two businesses. Stuart, a distributor of medical/surgical supplies, has distribution centers located primarily in the West, Midwest and Northeast and had sales for the year ended December 31, 1993 of $890.5 million (unaudited). In the proposed transaction, the Company will form a holding company that will own all of the currently outstanding capital stock of the Company and Stuart. Under the terms of the agreement, the new holding company would exchange $40,200,000 in cash and $115,000,000 par value of convertible preferred stock for all of the capital stock of Stuart. The Company will also refinance Stuart's pro forma debt of $141,000,000 (unaudited). Each outstanding share of the Company's common stock would be exchanged for one share of common stock of the new holding company. The Company intends to account for this transaction as a purchase, if consummated. The Board of Directors of the Company and the requisite shareholders of Stuart have unanimously approved this transaction. The Company's shareholders will vote on the proposed transaction at the annual shareholders' meeting with expected closing of the transaction to occur in the second quarter.

In 1993, the Company did not engage in any material amount of governmental business that may be subject to renegotiation of profits or termination of contract at the election of the government. The Company held no material patents, trademarks, licenses, franchises or concessions in 1993 nor is it subject to any material seasonality. At December 31, 1993, the Company had 1,674 full and part-time employees and considers its relations with them to be excellent.

The Company is required to carry a significant investment in inventory to meet the rapid delivery requirements of its customers. The Company sells only finished goods purchased from approximately 1,650 different competing manufacturers that provide an adequate availability of inventory. In 1993, products purchased from Johnson & Johnson, Inc. accounted for more than 19% of the Company's net sales. The Company believes that it is not vulnerable

to supply interruptions that would have a material adverse effect on its operations or profitability. Due to the immediate delivery requirements of its customers, the Company has no material backlog of orders.

During 1993, hospital customers (including members of hospital buying groups) represented 90% of the Company's sales. The remaining sales were to nursing homes, physicians and other purchasers. The high percentage of sales to hospitals reflects the principal strategy to concentrate on hospital customers in the belief that hospitals will remain the primary focus of the healthcare industry. Important elements of this strategy have been to maintain the Company's status as a low cost distributor of high volume disposable, commodity products and to operate in a decentralized manner to provide customers with a high level of service on a local basis.

In 1993, the majority of the Company's net sales were related to eight product groups - urological products, dressings, needles and syringes, surgical packs and gowns, sterile procedure trays, sutures, intravenous products and endoscopic products. These products are disposable and are generally used in high volume by customers. The sales of these products are supplemented by sales of a wide variety of other products including incontinence products, feeding tubes, surgical staples, blood collection devices and surgical gloves.

The Company's growth has been achieved by expansion into new geographical areas through acquisitions, the opening of new distribution centers and the consolidation of existing distribution centers. In May 1989, the Company acquired National Healthcare and Hospital Supply Corporation (National Healthcare). With the addition of National Healthcare's six continuing distribution centers, the Company was able to expand its distribution area to the western portion of the United States. On December 2, 1991, the Company acquired Koley's Medical Supply, Inc. (Koley's). The acquisition of Koley's provided the Company with three distribution centers located in Iowa and Nebraska. In May 1992 and September 1992, the Company opened distribution centers in Columbus, Ohio and Memphis, Tennessee, respectively. In May 1993, the Company acquired Lyons Physician Supply Company located in Youngstown, Ohio. In June 1993, the Company acquired A. Kuhlman & Co. located in Detroit, Michigan. In June 1993, the Company opened distribution centers in Birmingham, Alabama and Detroit, Michigan, and in August 1993 and December 1993, the Company opened distribution centers in Boston, Massachusetts and Seattle, Washington, respectively. The Company intends to continue to acquire or establish facilities in new locations depending on the attractiveness of new markets, the availability of suitable acquisition candidates and the potential for additional sales or cost savings from new locations.

Since 1985, the Company has been a distributor for Voluntary Hospitals of America, Inc. ("VHA"). The Company entered into a new supply agreement with VHA in November 1993. VHA is the nation's largest non-profit hospital system, representing over 960 hospitals, approximately 370 of which are in markets serviced by the Company.

Under the provisions of the new VHA agreement, commencing on April 1, 1994, the Company will sell products to VHA-member hospitals and affiliates on a variable cost-plus basis that is generally dependent upon dollar volume of purchases and percentage of total products purchased from the Company. Accordingly, as the Company's sales to and penetration of VHA-member customers increase, the cost plus pricing charged to such customers decreases. Prior to April 1, 1994, products were sold on a straight cost-plus basis. During 1993, no single customer accounted for 10% or more of the Company's sales, except for sales under the VHA agreement to member hospitals, which amounted to approximately $460 million or 33% of the Company's total net sales.

In February 1994, the Company was selected by Columbia/HCA Healthcare Corp. ("Columbia/HCA") as its prime distributer for medical/surgical products. Columbia/HCA operates 192 acute care and specialty hospitals throughout the United States.

The Company also acts as an agent for Abbott Laboratories, warehousing and distributing intravenous solutions and related products on a fee basis at six distribution centers.

CUSTOMER SERVICE AND MARKETING SYSTEMS

The Company believes that its increased use of computers will continue to improve its inventory management and its ability to provide prompt delivery to customers. The use of computers has enabled the Company to handle an increasing level of sales without corresponding increases in personnel.

Since 1988, the Company has utilized its Owens & Minor Network Information System (OMNI), a fully integrated on-line system that operates from a centralized data base. OMNI has improved operating controls and provided more consistent information from the distribution centers. Additionally, the OMNI system has improved the Company's ability to communicate with and service its customers.

The second phase of the OMNI implementation provides for the installation of a new computer-oriented warehouse management system, which includes a state-of-the-art radio frequency control system utilizing barcodes that interface with the mainframe computer system. This system completely computerizes on-line the receiving, putaway, storage, verification, order picking and shipping of merchandise. One of the benefits of the system is that it provides for periodic recounts of merchandise, which will improve the accuracy of on-hand product inventory data. Through 1993, this new warehouse management system has been implemented in 18 of the Company's 36 distribution centers.

During 1992, the Company began an investment in resources to upgrade the OMNI system in order to service its customers more effectively. Selected employees within the information systems department are utilizing the latest application development techniques including Computer Aided System Engineering (CASE).

The Company offers its customers certain systems-related services which management believes contribute to its competitive position. The Company has

a variety of electronic order entry systems which allow its sales representatives and customers to enter orders directly into the Company's computer. These systems can interface with existing customer materials management systems and with hand-held microcomputers carried by sales representatives to transmit orders. During 1993, approximately 63% of the Company's sales were entered through these systems.

Electronic order entry systems have enabled the Company to reduce its order processing costs and improve customer service. Customers with compatible computer terminals or computerized materials management systems can enter orders directly into the mainframe computer in Richmond using their own product numbering system. The Company has also adapted its central computer system in Richmond to receive computer-to-computer order transmissions from several more comprehensive material management software systems used by certain customers. The customer has the choice of using its own product numbering system or the Company's standard numbering system.

MARKETING DEVELOPMENTS

Under the name of PANDAC(R) services, the Company markets wound closure inventory management and cost control programs for use in acute care hospitals. This system aids in budget forecasting and control, both in terms of balance sheet and profit and loss applications.

In 1993, the Company introduced SPECTROM(TM), an instrument-scope repair service for the cost conscious healthcare provider. The SPECTROM(TM) service was designed to be a single source for both major and minor repairs, offering the customer quality repair, quick turnaround time and economy. SPECTROM(TM) can reduce the hospital's instrument-scope repair cost which offers the customer valuable quality performance at the lowest possible cost.

In 1993, the Company introduced CARDIOM(TM), an inventory and cost management service for the angio Cath Lab. CARDIOM(TM) can significantly reduce the hospital's Cath Lab asset investment. As part of the service provided by CARDIOM(TM), the hospital receives quarterly reports containing data which assists the hospital in maintaining efficient inventories and controlling procedure product costs.

In 1993, the Company introduced Pallet Architecture Location Services (PALS(TM)), a service designed to reduce the customers operating costs by palletizing customer orders to facilitate the receiving process and reduce put-away time.

LOGISTIC SERVICES

Due to changing needs in the marketplace, the Company's Logistic Support Services developed a Quality Management Process (QMP) to provide customized services and solutions. The objective of QMP is to provide hospital customers with the solutions needed to manage their business through an era of increasing costs and shrinking reimbursements, with the underlying goal of providing the lowest delivered cost to the patient.

The QMP Continuum offers steps to help the customer move from a traditional to a non-traditional distribution environment, defined by the specific needs

of each hospital. The QMP Continuum is comprised of four basic components: (1) Process Documentation identifies quality improvement opportunities to remove redundancies, reduce inefficiency, and introduce a continuous improvement process; (2) Asset Management Solution provides EDI transactions, continuous inventory replenishment, J-I-T/Stockless partnerships, PANDAC(R) Wound Closure Management Program and other asset management programs; (3) Cost Control Analysis provides data needed to identify asset utilization, streamline and reduce costs, including PALS(TM); and (4) Project Management and Consulting Services provide operating system design, distribution system design, facility design, space utilization, Cath Lab design, mergers and consolidations, etc.

The Quality Management Process methodology is integrated into the operations of the local Owens & Minor Distribution Center which serves the hospital.

COMPETITION

The medical/surgical supply business in the United States consists of one nationwide distributor, Baxter International, and a number of regional and local distributors. The Company believes that, based upon sales, it is the second largest distributor of medical/surgical products to hospitals in the United States. Competition within the medical/surgical supply business exists with respect to product availability, delivery time, services provided, the ability to meet special requirements of customers and price. In recent years, there has been a consolidation of medical/surgical supply distributors through the purchase of smaller distributors by larger companies.

Item 2. Properties

The corporate headquarters of the Company are located in western Henrico County in suburban Richmond, Virginia in a leased facility. The Company owns two undeveloped parcels of land in western Henrico County, which are adjacent to the Company's corporate headquarters. The former office and production facilities of Harbor Medical, Inc., located in Sanford, Florida, which are presently leased to a tenant through May 1996, are owned by the Company. Also, with the acquisition of Lyons Physician Supply Company, the Company owns the land and building of its Youngstown, Ohio location.

The Company also leases offices and warehouses for its distribution centers in 35 cities throughout the country.

Excluding the Stuart transaction, the Company expects to relocate or renovate up to seven of its leased office and warehouse facilities in 1994. All other Company facilities are considered adequate for their current and projected use.

Item 3. Legal Proceedings

There are no legal proceedings pending against the Company or any of its subsidiaries other than ordinary routine litigation incidental to its business, including certain tort claims arising in the ordinary course of business which are adequately covered by insurance and are being defended either by the Company's insurance carriers or the suppliers of the merchandise involved. No legal proceeding pending against the Company is expected to have a material adverse effect upon the Company.

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

No matters were submitted to a vote of security holders during the fourth quarter of 1993.

EXECUTIVE AND OTHER OFFICERS OF THE REGISTRANT

The Company's Executive Officers are:

Name	Age	Office Held
G. Gilmer Minor, III	53	President and Chief Executive Officer
Robert E. Anderson, III	59	Senior Vice President, Planning and Development
Henry A. Berling	51	Senior Vice President, Sales and Marketing
Drew St. J. Carneal	55	Senior Vice President, Corporate Counsel and Secretary
Glenn J. Dozier	43	Senior Vice President, Finance, Chief Financial Officer
Craig R. Smith	42	Senior Vice President, Distribution and Information Systems

The Company's Other Officers are:

Richard F. Bozard	47	Vice President, Treasurer
Richard L. Farinholt	55	Vice President, Technology Systems
Hugh F. Gouldthorpe, Jr.	55	Vice President, Quality and Communications
Frederick R. Ricker	48	Vice President, Business Development and Support
Michael L. Roane	39	Vice President, Human Resources

F. Thomas Smiley	38	Vice President, Controller
Hue Thomas, III	55	Vice President, Corporate Relations

All of the Officers were elected at the annual meeting of the Board of Directors held April 27, 1993. All Officers are elected to serve until the 1994 Annual Meeting of Shareholders, or such time as their successors are elected.

Mr. G. Gilmer Minor, III was first employed by the Company in 1963. Mr. Minor received his B.A. from the Virginia Military Institute in 1963. In 1966, he was awarded an MBA from the Colgate Darden School of Business Administration from the University of Virginia. He has spent his entire business career with the Company and was elected President in 1981 and Chief Executive Officer in 1984.

Mr. Anderson was Vice President of Powers & Anderson from 1958 to 1966. With the Company's acquisition of Powers & Anderson in 1967, Mr. Anderson was employed in the Medical/Surgical Division in sales and marketing and was elected Vice President in 1981. In October 1987, he was elected Senior Vice President, Corporate Development. In April 1991, Mr. Anderson was elected Senior Vice President, Marketing and Planning. In 1992, Mr. Anderson assumed a new role as Senior Vice President, Planning and Development. Mr. Anderson received a B.S. in Commerce from the University of Virginia in 1955.

Mr. Berling was employed by A & J Hospital Supply Company following the completion of his education in 1965. With the Company's acquisition of A & J Hospital Supply in 1966, Mr. Berling was employed by the Company in the Medical/Surgical Division and was elected Vice President in 1981 and Senior Vice President, Sales and Marketing, a newly created position, in 1987. In April 1989, he was elected Senior Vice President and Chief Operating Officer. In April 1991, Mr. Berling assumed a new role as Senior Vice President, Sales and Distribution. In 1992, Mr. Berling assumed the role of Senior Vice President, Sales and Marketing. Mr. Berling received a B.S. in Economics from Villanova University in 1965.

Mr. Carneal was employed by the Company in January 1989 as Vice President and Corporate Counsel. From 1985 to 1988, he served as the Richmond City Attorney and, prior to that date, he was a partner for the law firm of Cabell, Moncure and Carneal which provided legal services to the Company. In February 1989, he was elected Secretary by the Board of Directors. In March 1990, he was elected Senior Vice President, Corporate Counsel and Secretary. Mr. Carneal received a B.A. in English from Princeton University in 1960. Mr. Carneal received his L.L.B. at the University of Virginia School of Law.

Mr. Dozier was elected to the position of Senior Vice President, Chief Financial Officer, in February 1991. In April 1991, he assumed the additional responsibility of Senior Vice President, Operations and Systems. Mr. Dozier was formerly Vice President, Treasurer and Chief Financial Officer. In 1992, Mr. Dozier assumed a new role of Senior Vice President, Finance and Information Systems and Chief Financial Officer. In 1993, Mr.

Dozier assumed the role of Senior Vice President, Finance, Chief Financial Officer. Prior to joining the Company in April 1990, Mr. Dozier had been Chief Financial Officer and Vice President of Administration and Control since 1987 for AMF Bowling, Inc. Previously, Mr. Dozier was with Dravo Corporation, where his last position was Vice President, Finance. Mr. Dozier received an MBA from The Colgate Darden School of Business at the University of Virginia and received a B.S. from Virginia Polytechnic Institute and State University in Industrial Engineering and Operations Research.

Mr. Smith was employed by National Healthcare and Hospital Supply Corporation in June 1983 as a sales representative. With the Company's acquisition of National Healthcare and Hospital Supply Corporation in May 1989, Mr. Smith was employed by the Company as Division Vice President. From 1990 to 1992, Mr. Smith served as Group Vice President for the western region. On January 4, 1993 Mr. Smith assumed responsibilities of Senior Vice President, Distribution. In 1993, Mr. Smith assumed the new role of Senior Vice President, Distribution and Information Systems. Mr. Smith is a graduate of the University of Southern California.

Mr. Bozard was employed by the Company in March 1988 and was elected Vice President, Treasurer in 1991. Prior to joining the Company, he served as an officer for CIT/Manufacturers Hanover Bank and Trust. From 1984 to 1986 he was with Williams Furniture where his last position was President. Mr. Bozard received a B.S. from Virginia Commonwealth University in Business Administration.

Mr. Farinholt was employed by the Company in October 1991 as Vice President, Information Systems. In January 1994, Mr. Farinholt assumed the position of Vice President, Technology Systems. Prior to joining the Company, Mr. Farinholt was President of a consulting firm, Information Technology Group, Inc. Prior thereto, he was President of HealthNet, Inc. Previously, Mr. Farinholt was with IBM for 17 years. Mr. Farinholt received a B.S. Degree in Accounting from the University of Virginia.

Mr. Gouldthorpe joined the Company in 1986 as Director of Hospital Sales for the Wholesale Drug Division. In 1987, he was promoted to Vice President and was named Vice President and General Manager of the Wholesale Drug Division in 1989. In April 1991, he was elected Vice President, Corporate Communications and in September 1993, was appointed Vice President, Quality and Communications. Prior to joining the Company, Mr. Gouldthorpe was employed by E.R. Squibb and Sons for 20 years. While at Squibb he held numerous sales and marketing positions that included Advertising Manager, Director of Training and Director of Sales. Mr. Gouldthorpe is a graduate of The Virginia Military Institute with a B.A. in Chemistry and Biology.

Mr. Ricker was employed by the Company in March 1989 as Vice President and Director of Operations. In 1991, Mr. Ricker assumed the additional responsibility of Vice President, Support Services. In 1993, Mr. Ricker assumed the position of Vice President, Business Development and Support. Prior to joining the Company, he was Director of Operations with Grinnell Corporation from 1986 to 1989. Prior to 1986, Mr. Ricker served as Director and/or Vice President of Operations with John Portman and Associates and W. W. Grainger, Inc. He started his career with IBM in 1968 as a Financial

Analyst. Mr. Ricker is a graduate of Youngstown State University.

Mr. Roane was employed by the Company in October 1992 as Vice President, Human Resources. Prior to joining Owens & Minor, Mr. Roane was employed by Philip Morris Co. where his last position was Manager, Employee Relations Operations. Mr. Roane received his B.S. Degree in Business Management from Canisius College.

Mr. Smiley was employed by the Company in September 1979 as Manager of Internal Audit. In January 1981, he became the Assistant Controller. In June 1985, he became the Controller. In April 1986 he was elected Assistant Vice President, Controller. In April 1989, he was elected Vice President, Controller. Prior to joining the Company, he was with Coopers & Lybrand, where his last position was Senior Accountant. Mr. Smiley received a B.S. in Business Administration from the University of Richmond.

Mr. Thomas joined the Company in 1970. In 1984, he was promoted to Assistant General Manager of the Medical/Surgical Division. In 1985, he was made Assistant Corporate Vice President and was named Vice President in 1987. In 1989, he was named Vice President and General Manager of the Medical/Surgical Division. In 1991, he was named Vice President, Corporate Relations. Mr. Thomas received a B.S. from Georgia Institute of Technology in 1964.

PART II

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

Information regarding the market price of the Company's Common Stock and related stockholder matters is set forth in the 1993 Annual Report under the heading "Market and Dividend Information" on page 40 and is incorporated by reference herein.

Item 6. Selected Financial Data

The information required under this item is contained in the 1993 Annual Report under the heading "Selected Financial Data" on pages 18 and 19 and is incorporated by reference herein.

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

The information required under this item is contained in the 1993 Annual Report under the heading "Management's Discussion and Analysis of Results of Operations and Financial Condition" on pages 18 through 21 and is incorporated by reference herein.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements and notes as of December 31, 1993 and 1992 and for each of the years in the three-year period ended December 31, 1993, together with the independent auditors' report of KPMG Peat Marwick dated February 4, 1994, appearing on pages 22 through 37 of the 1993 Annual Report are incorporated by reference herein.

The information required under Item 302 of Regulation S-K is set forth in the 1993 Annual Report in Note 12 - "Quarterly Financial Data (Unaudited)" in the Notes to the Consolidated Financial Statements on page 36 and is incorporated by reference herein.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in or disagreements with accountants on accounting and financial disclosures during the two years ended December 31, 1993.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information required for this item is contained in Part I of this report and in the 1994 Proxy Statement under the heading, "Proposal 2: Election of Directors."

Item 11. Executive Compensation

The information required under this item is contained in the 1994 Proxy Statement under the heading "Proposal 2: Election of Directors - Executive Compensation" and is incorporated by reference herein.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required under this item is contained in the 1994 Proxy Statement under the heading "Proposal 2: Election of Directors - O&M Common Stock Owned by Principal Shareholders and Management" and is incorporated by reference herein.

Item 13. Certain Relationships and Related Transactions

The information required under this item is contained in the 1994 Proxy Statement under the heading "Proposal 2: Election of Directors - Compensation Committee Interlocks and Insider Participation" and is incorporated by reference herein.

PART IV

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

* Incorporated by reference from the indicated pages of the 1993 Annual Report.

All other schedules are omitted because the related information is included in the consolidated financial statements or notes thereto or because they are not applicable.

3. Exhibits

(2) Agreement of Exchange dated as of December 22, 1993 by and among Stuart Medical, Inc., the Company, OMI Holding, Inc. and certain shareholders of Stuart Medical, Inc.**

(3) (a) Amended and Restated Articles of Incorporation of the Company (incorporated herein by reference to the Company's Annual Report on Form 10-K, Exhibit 3(a), for the year ended December 31, 1990)

(b) Amendment effective March 8, 1993 to the Amended and Restated Articles of Incorporation of the Company (incorporated herein by reference to the Company's Annual Report on Form 10-K, exhibit 3(b), for the year ended December 31, 1992)

(c) Bylaws of the Company as amended on February 25, 1993 (incorporated herein by reference to the Company's Annual Report on Form 10-K, Exhibit 3(c), for the year ended December 31, 1992)

(4) (a) Owens & Minor, Inc. $11.5 million, 0% subordinated note dated May 31, 1989, due May 31, 1997, between the Company and Hygeia Ltd. (incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1990)

(b) Owens & Minor, Inc. $3.5 million, 6.5% convertible subordinated debenture dated May 31, 1989, between the Company and Hygeia Ltd. (incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1990)

(c) Owens & Minor, Inc. $40 million Credit Agreement, dated as of November 1, 1993, among the Company and Crestar Bank and NationsBank of Virginia, N.A.

(10) (a) Owens & Minor, Inc. Annual Incentive Plan (incorporated herein by reference to the Company's definitive Proxy Statement dated March 25, 1991)*

(b) 1985 Stock Option Plan as amended on January 27, 1987 (incorporated herein by reference to the Company's Annual Report on Form 10-K, Exhibit 10(f), for the year ended December 31, 1987)*

(c) Stock Purchase Agreement dated May 1, 1989 among the Company, Hygeia N.V. and Hygeia Medical Supply B.V. (incorporated herein by reference to the Company's Current Report on Form 8-K, Exhibit 2.1, filed on May 24, 1989)

(d) Owens & Minor, Inc. Pension Plan (incorporated herein by reference to the Company's Annual Report on Form 10-K, Exhibit 10(h), for the year ended December 31, 1990)*

(e) Supplemental Executive Retirement Plan dated July 1, 1991 (incorporated herein by reference to the Company's Annual Report on Form 10-K, Exhibit 10(i), for the year ended December 31, 1991)*

(f) Owens & Minor, Inc. Executive Severance Agreements (incorporated herein by reference to the Company's Annual Report on Form 10-K, Exhibit 10(i), for the year ended December 31, 1991)*

(g) Owens & Minor, Inc. Directors' Stock Option Plan (incorporated herein by reference to the Company's Annual Report on Form 10-K, Exhibit 10(i), for the year ended December 31, 1991)*

(h) Agreement dated December 31, 1985 by and between Owens & Minor, Inc. and G. Gilmer Minor, Jr. (incorporated herein by reference to the Company's Annual Report on Form 10-K, exhibit 10(k), for the year ended December 31, 1992)*

(i) Agreement dated December 31, 1985 by and between Owens & Minor, Inc. and Philip M. Minor (incorporated herein by reference to the Company's Annual Report on Form 10-K, exhibit 10(l), for the year ended December 31, 1992)*

(j) Agreement dated May 1, 1991 by and between Owens & Minor, Inc. and W. Frank Fife (incorporated herein by reference to the Company's Annual Report on Form 10-K, exhibit 10(m), for the year ended December 31, 1992)*

(k) Owens & Minor, Inc. 1993 Stock Option Plan*

(l) Owens & Minor, Inc. Directors' Compensation Plan*

(m) Form of Enhanced Authorized Distribution Agency Agreement dated as of November 16, 1993 by and between Voluntary Hospitals of America, Inc. and Owens & Minor, Inc.***

(11) Calculation of Net Income Per Share

(13) Owens & Minor, Inc. 1993 Annual Report to Stockholders (Note 1)

(22) Subsidiaries of Registrant

(24) Consent of KPMG Peat Marwick, independent auditors

* A management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K.

** The schedules to this Agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby undertakes to file supplementally with the Commission upon request a copy of the omitted schedules.

*** The Company has requested confidential treatment by the Commission of certain portions of this Agreement, which portions have been omitted and filed separately with the Commission.

(b) Reports on Form 8-K

There were no reports filed on Form 8-K during the fourth quarter of 1993

Note 1. With the exception of the information incorporated in this Form 10-K by reference thereto, the 1993 Annual Report shall not be deemed "filed" as a part of this Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

OWENS & MINOR, INC.
by/s/ G. Gilmer Minor, Jr.

G. Gilmer Minor, Jr.
Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report is signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

/s/ G. Gilmer Minor, Jr.
G. Gilmer Minor, Jr.
Chairman of the Board and Director

/s/ R. E. Cabell, Jr.
R. E. Cabell, Jr
Director

/s/ Philip M. Minor
Philip M. Minor
Vice Chairman and Director

/s/ James B. Farinholt, Jr.
James B. Farinholt, Jr.
Director

/s/ G. Gilmer Minor, III
G. Gilmer Minor, III
President and Chief Executive officer and Director

/s/ Vernard W. Henley
Vernard W. Henley
Director

/s/ William F. Fife
William F. Fife
Retired Executive Vice President and Director

/s/ E. Morgan Massey
E. Morgan Massey
Director

/s/ Glenn J. Dozier
Glenn J. Dozier
Senior Vice President, Finance, Chief Financial Officer

/s/ James E. Rogers
James E. Rogers
Director

/s/ F. Thomas Smiley
F. Thomas Smiley
Vice President, Principal Accounting Officer and Controller

/s/ James E. Ukrop
James E. Ukrop
Director

/s/ Anne Marie Whittemore
Anne Marie Whittemore
Director

Each of the above signatures is affixed as of March 7, 1994.

INDEPENDENT AUDITORS
REPORT ON FINANCIAL STATEMENT SCHEDULES

The Board of Directors and Stockholders
Owens & Minor, Inc.:

Over date of February 4, 1994, we reported on the consolidated balance sheets of Owens & Minor, Inc. and subsidiaries as of December 31,1993 and 1992, and the related consolidated statements of income, stockholders' equity and cash flows

for each of the years in the three-year period ended December 31, 1993, as contained in the 1993 annual report to stockholders. These consolidated financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the year 1993. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedules included on pages 17 and 18 of this annual report on Form 10-K. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on

these financial statement schedules based on our audits.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 10 to the consolidated financial statements, as of January 1, 1993, the Company changed its method of accounting for income taxes.

KPMG Peat Marwick

Richmond, Virginia
February 4, 1994

Schedule VIII

OWENS & MINOR, INC. AND SUBSIDIARIES

Valuation and Qualifying Accounts
(In thousands)

Description	Balance at beginning of year	Additions charged to costs and expenses	Deductions*	Balance at end of year
Allowance for doubtful accounts deducted from accounts and notes receivable in the Consolidated Balance Sheets				
December 31, 1993	$4,442	$ 497	$ 261	$4,678
December 31, 1992	$4,514	$1,351	$1,423	$4,442
December 31, 1991	$3,671	$1,506	$ 663	$4,514

* Uncollectible accounts written off.

Schedule IX

OWENS & MINOR, INC. AND SUBSIDIARIES

Short-Term and Revolving Credit Borrowings
(Dollars in thousands)

Year Ended December 31,	Category of short-term borrowings	Balance at end of year	Weighted average interest rate at end of year	Maximum amount outstanding during the year	Average amount outstanding during the year	Weighted average interest rate during the year (Note A)
1993	Bank	$37,000	3.5 %	$65,300	$23,300	3.8%
1992	Bank	$ 0	0 %	$58,600	$ 8,413	5.9%
1991	Bank	$39,400	5.0 %	$63,100	$36,449	6.5%

NOTE A: Calculations are based on daily average amounts outstanding and include commitment fees on the revolving line of credit.

Form 10-K
Exhibit Index

Exhibit #	Description	Page #
2	Agreement of Exchange dated as of December 22, 1993 by and among Stuart Medical, Inc., the Company, OMI Holding, Inc. and certain shareholders of Stuart Medical, Inc.	

4	(c)	Owens & Minor, Inc. $40 million Credit Agreement, dated as of November 1, 1993, among the Company and Crestar Bank and NationsBank of Virginia, N.A.
10	(k)	Owens & Minor, Inc. 1993 Stock Option Plan
	(l)	Owens & Minor, Inc. Directors' Compensation Plan
	(m)	Form of Enhanced Authorized Distribution Agency Agreement dated as of November 16, 1993 by and between Voluntary Hospitals of America, Inc. and Owens & Minor, Inc.
11		Calculation of Net Income Per Share
13		Owens & Minor, Inc. 1993 Annual Report to Stockholders
22		Subsidiaries of Registrant
24		Consent of KPMG Peat Marwick, independent auditors

AGREEMENT OF EXCHANGE

DATED AS OF DECEMBER 22, 1993

BY AND AMONG

STUART MEDICAL, INC.,

OWENS & MINOR, INC.,

OMI HOLDING, INC.

and

CERTAIN SHAREHOLDERS OF

STUART MEDICAL, INC.

TABLE OF CONTENTS

ARTICLE I
Definitions

ARTICLE VII
Conditions Precedent to Obligations of SMI and the Shareholders

ARTICLE VIII
Conditions Precedent to the Obligations of O&M and O&M Holding

ARTICLE IX
Indemnification and
Additional Agreements

Item 4.03 Consents, etc.
Item 4.04 Capitalization of SMI
Item 4.07 Material Adverse Changes
Item 4.10A Litigation
Item 4.10B Specialty Litigation
Item 4.14 Contracts
Item 4.15 Obligations for Money Borrowed
Item 4.16 Employment Agreements
Item 4.17 Employee Benefit Plans
Item 4.18 Employee Relations
Item 4.19 Transactions with Affiliates
Item 4.21 Tax Matters
Item 4.22 Insurance

Item 4.24 Compliance with Laws
Item 4.26 Pricing Audits

O&M Disclosure Schedule

Item 1.48 O&M Subsidiaries
Item 5.03 Consents, etc.
Item 5.10 Litigation
Item 5.12 Compliance with Laws

AGREEMENT OF EXCHANGE

AGREEMENT OF EXCHANGE (this "Agreement"), dated as of December 22, 1993, among Stuart Medical, Inc., a Pennsylvania corporation ("SMI"), Owens & Minor, Inc., a Virginia corporation ("O&M"), OMI Holding, Inc., a Virginia corporation ("O&M Holding"), and Henry L. Hillman, Elsie H. Hillman and C. G. Grefenstette, Trustees under the Henry L. Hillman Trust under agreement of trust dated November 18, 1985, Juliet Lea Hillman Simonds, Audrey Hillman Fisher, Henry L. Hillman, Jr., William T. Hillman, Howard B. Hillman and Tatnall L. Hillman, each a shareholder of SMI (each, a "Shareholder", and collectively, the "Shareholders").

WHEREAS, SMI, O&M Holding and the Shareholders desire to effect a share exchange pursuant to which all outstanding shares of SMI Common Stock will be exchanged for 1,150,000 shares of Series B Preferred Stock and $40,200,000 to be allocated among the holders of SMI Common Stock in accordance with their elections pursuant to the SMI Plan of Exchange;

WHEREAS, O&M and O&M Holding desire to effect a share exchange pursuant to which each outstanding share of O&M Common Stock will be exchanged for one share of O&M Holding Common Stock; and

WHEREAS, O&M, O&M Holding, SMI and the Shareholders acknowledge that such exchanges are intended to qualify as a transaction described in Section

351 of the Internal Revenue Code of 1986, as amended.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained and intending to be legally bound, SMI, O&M, O&M Holding and the Shareholders hereby agree as follows:

ARTICLE I

Definitions

1.01 "Affiliate" shall mean, with respect to any person, any person that directly, or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with such person.

1.02 "Agreement" shall mean this Agreement of Exchange and the Related Agreements, together with the Exhibits and Schedules attached hereto, including the SMI Disclosure Schedule and the O&M Disclosure Schedule, as amended from time to time in accordance with the terms hereof.

1.03 "BCL" shall mean the Pennsylvania Business Corporation Law.

1.04 "Balance Sheet Deficiency" shall mean the excess, if any, of (i) the sum of the amount, as of the Effective Time, of (x) any assets reflected on the Closing Balance Sheet that are not actually owned or in the possession of SMI at the Effective Time and (y) any liabilities to which SMI was subject at the Effective Time that were not reflected on the Closing Balance Sheet, over (ii) the sum of (x) the amount of any assets owned and in the possession of SMI at the Effective Time that are not reflected on the Closing Balance Sheet and (y) the amount of liabilities that as of the Effective Time were actually less than the amount reflected in respect thereof on the Closing Balance Sheet (limited, in the case of any amount described in this clause (ii), to the extent such amounts are within the Knowledge of O&M Holding at the time any of O&M's Indemnitees makes a claim with respect to a Balance Sheet Deficiency under Section 9.01(a)(v) hereof).

1.05 "Balance Sheet Holdback Shares" shall mean the shares of O&M Holding Preferred Stock issued and retained pursuant to Section 2.03(a) hereof.

1.06 "CERCLA" shall mean the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

1.07 "Certificates" shall mean the certificates that, immediately prior to the Effective Time, represented shares of SMI Common Stock.

1.08 "Closing" shall mean the conference held at 10:00 a.m. local time, on the date determined in accordance with Section 2.02 hereof, at the offices of Hunton & Williams, or such other time and place as the parties may mutually agree in writing.

1.09 "Closing Balance Sheet" shall mean the audited balance sheet of SMI at the Effective Time prepared by E&Y in accordance with Section 2.05 hereof.

1.10 "Code" shall mean the Internal Revenue Code of 1986, as amended.

1.11 "Competing Transaction" shall have the meaning set forth in Section 6.05 hereof.

1.12 "Contracts" shall have the meaning set forth in Section 4.14 hereof.

1.13 "E&Y" shall mean Ernst & Young.

1.14 "Effective Time" shall mean the effective time specified in (a) the SMI Articles of Exchange and (b) the O&M Articles of Exchange.

1.15 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

1.16 "ERISA Affiliate" shall mean a trade or business, whether or not incorporated, which, with SMI, would be treated as a single employer under Section 414 of the Code of ERISA.

1.17 "Exchanges" shall mean, collectively, the O&M Exchange and the SMI Exchange.

1.18 "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

1.19 "First C Year" shall have the meaning set forth in Section 9.08 hereof.

1.20 "GAAP" shall mean generally accepted accounting principles applied in a manner consistent with prior periods.

1.21 "Hazardous Materials" shall mean (a) material defined as "hazardous substances," "hazardous wastes", "solid wastes" or "pollutants" in CERCLA, RCRA, the Clean Air Act, the Clean Water Act or similar state or local environmental statutes and (b) petroleum products, pollutants, contaminants or hazardous or toxic substances, materials or wastes.

1.22 "HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

1.23 "Intellectual Property" shall mean the trademarks, service marks, trade names, copyrights and other intellectual property owned or used by SMI listed on Item 1.23 of the SMI Disclosure Schedule.

1.24 "J.P. Morgan" shall mean J.P. Morgan Securities Inc.

1.25 "Knowledge" as to O&M and SMI shall mean the knowledge of any officer or director of such party after due investigation and as to any individual, including a Shareholder, shall mean the knowledge of such person after due investigation.

1.26 "KPMG" shall mean KPMG Peat Marwick.

1.27 "Last SMI Year" shall have the meaning set forth in Section 9.08 hereof.

1.28 "Law" shall mean any federal, state, local or other law or governmental requirement of any kind, including judgments, decrees or orders, and the rules, regulations and orders promulgated thereunder.

1.29 "Leased Property" shall mean real property leased by SMI pursuant to a Contract and listed on Item 1.29 of the SMI Disclosure Schedule.

1.30 "Losses" shall have the meaning set forth in Section 9.01 hereof.

1.31 "Midwest" shall mean Midwest Hospital Supply Company, Inc..

1.32 "Midwest Accounts Receivable" shall mean the accounts receivable of Midwest that have not been sold to SMI Funding in accordance with Section 6.15(b) hereof and are reflected on the Closing Balance Sheet.

1.33 "Midwest Acquisition" shall mean the acquisition by SMI of certain assets and the assumption of certain liabilities of Midwest in accordance with the terms and provisions of an agreement that is substantially similar to the Asset Purchase Agreement, draft of December 17, 1993, among Midwest, the shareholders of Midwest and SMI.

1.34 "Net Worth Deficiency" shall mean the amount by which the shareholders' equity of SMI as reflected on the Closing Balance Sheet is less than $41,000,000.

1.35 "Notice of Objection" shall have the meaning set forth in Section 2.05 hereof.

1.36 "O&M" shall mean Owens & Minor, Inc., a Virginia corporation.

1.37 "O&M Holding" shall mean OMI Holding, Inc., a Virginia corporation and a wholly owned subsidiary of O&M.

1.38 "O&M Articles of Exchange" shall mean the Articles of Exchange to be filed by O&M with the Commonwealth of Virginia State Corporation Commission with respect to the O&M Plan of Exchange.

1.39 "O&M Common Stock" shall mean the Common Stock of O&M, $2.00 par value per share.

1.40 "O&M Disclosure Schedule" shall mean the disclosure schedule of O&M attached hereto.

1.41 "O&M Exchange" shall mean the exchange of each outstanding share of O&M Common Stock for one share of O&M Holding Common Stock pursuant to the O&M Plan of Exchange.

1.42 "O&M Financial Statements" shall have the meaning set forth in Section 5.06 hereof.

1.43 "O&M Holding Common Stock" shall mean the Common Stock of O&M Holding, $2.00 par value per share.

1.44 "O&M Holding Preferred Stock" shall mean the 1,150,000 shares of Series B Preferred Stock to be issued to the holders of SMI Common Stock pursuant to the SMI Plan of Exchange.

1.45 "O&M's Indemnitees" shall mean O&M, O&M Holding, SMI and their respective successors, assigns and representatives.

1.46 "O&M Plan of Exchange" shall mean the plan of exchange with respect to the O&M Exchange attached hereto as Exhibit A.

1.47 "O&M Shareholders' Meeting" shall mean the annual or special meeting of the holders of O&M Common Stock held and conducted in accordance with O&M's Articles of Incorporation and Bylaws, the VSCA and the proxy rules of the SEC for the approval of the transactions contemplated by this Agreement, including the O&M Plan of Exchange.

1.48 "O&M Subsidiaries" shall mean the companies listed on Item 1.48 of the O&M Disclosure Schedule.

1.49 "PBGC" shall mean the Pension Benefit Guaranty Corporation.

1.50 "Pension Plans" shall have the meaning set forth in Section 4.17 hereof.

1.51 "Permitted Liens" shall mean: (a) liens for taxes and assessments that are accrued on the SMI Current Balance Sheet or the Closing Balance Sheet, as the case may be, that are not due and payable; (b) liens securing indebtedness reflected on the SMI Current Balance Sheet; and (c) carrier's, warehousemen's, mechanic's, materialmen's, repairmen's or other like liens arising in the ordinary course of business and in respect of obligations which are not due.

1.52 "Phantom Stock Plans" shall mean, collectively, the 1993 Phantom Stock Plan for Senior Management and the Second 1993 Phantom Stock Plan for Senior Management.

1.53 "Proxy Statement/Prospectus" shall mean the proxy statement of O&M to be distributed in connection with the O&M Shareholders' Meeting pursuant to Regulation 14A of the Exchange Act and the prospectus of O&M Holding to be distributed in connection with the O&M Exchange pursuant to the Securities Act.

1.54 "Qualified Pension Plan" shall have the meaning set forth in Section 4.17 hereof.

1.55 "RCRA" shall mean the Resource Conservation and Recovery Act, as amended.

1.56 "Real Property" shall mean the property, fixtures and improvements located thereon and appurtenances thereto owned by SMI listed on Item 1.56 of the SMI Disclosure Schedule.

1.57 "Registration Rights Agreement" shall mean the agreement attached hereto as Exhibit B.

1.58 "Related Agreements" shall mean the Registration Rights Agreement and any other document or agreement delivered pursuant hereto.

1.59 "Review Auditors" shall have the meaning set forth in Section 2.05 hereof.

1.60 "SMI" shall mean Stuart Medical, Inc., a Pennsylvania corporation.

1.61 "SMI 401(k) Plan" shall mean the Stuart Medical, Inc. Retirement/Savings Plan.

1.62 "SMI Articles of Exchange" shall mean the Articles of Exchange to be filed by SMI with the Department of State of the Commonwealth of Pennsylvania with respect to the SMI Plan of Exchange.

1.63 "SMI Common Stock" shall mean the Common Stock of SMI, $.0025 par value per share.

1.64 "SMI Current Balance Sheet" shall have the meaning set forth in Section 4.06 hereof.

1.65 "SMI Disclosure Schedule" shall mean the disclosure schedule of SMI and the Shareholders attached hereto.

1.66 "SMI Exchange" shall mean the exchange of all outstanding shares of SMI Common Stock for the SMI Exchange Consideration pursuant to the SMI Plan of Exchange.

1.67 "SMI Exchange Consideration" shall mean the O&M Holding Preferred Stock and $40,200,000 in cash to be received by the holders of SMI Common Stock in exchange for all the outstanding shares of SMI Common Stock pursuant to the SMI Plan of Exchange, such consideration to be allocated among the holders of SMI Common Stock in accordance with the SMI Plan of Exchange.

1.68 "SMI Financial Statements" shall have the meaning set forth in Section 4.06 hereof.

1.69 "SMI Funding" shall mean Stuart's Funding Corporation, a Pennsylvania corporation.

1.70 "SMI Plan of Exchange" shall mean the plan of exchange with respect to the SMI Exchange attached hereto as Exhibit C.

1.71 "Sale and Administration Agreement" shall mean the Amended and Restated Sale and Administration Agreement between SMI and SMI Funding dated as of September 30, 1993.

1.72 "SEC" shall mean the Securities and Exchange Commission.

1.73 "SEC Reports" shall have the meaning set forth in Section 5.14 hereof.

1.74 "Securities Act" shall mean the Securities Act of 1933, as amended.

1.75 "Series B Preferred Stock" shall mean the O&M Holding Series B Preferred Stock, $100 par value per share, having the rights and designations substantially as set forth in Exhibit D attached hereto.

1.76 "Severance Agreements" shall mean the agreements with certain employees of SMI listed on Item 1.76 of the SMI Disclosure Schedule.

1.77 "Shareholder" or "Shareholders" shall mean individually or collectively Henry L. Hillman, Elsie H. Hillman and C. G. Grefenstette, Trustees under the Henry L. Hillman Trust under agreement of trust dated November 18, 1985, Juliet Lea Hillman Simonds, Audrey Hillman Fisher, Henry L. Hillman, Jr., William T. Hillman, Howard B. Hillman and Tatnall L. Hillman, each a shareholder of SMI.

1.78 "Shareholders' Indemnitees" shall mean the Shareholders and their respective successors, assigns and representatives.

1.79 "Shareholders' Representative" shall mean C. G. Grefenstette or his designee.

1.80 "Specialty" shall mean National Medical Specialty, Inc.

1.81 "Specialty Litigation" shall mean the litigation described on Item 4.10B of the SMI Disclosure Schedule.

1.82 "Specialty Obligations" shall mean any note or notes and other obligations payable by Specialty to SMI.

1.83 "Subordinated Note" shall mean the deferred payment note, dated September 30, 1993, payable to SMI and made by SMI Funding.

1.84 "Subordinated Note Holdback Shares" shall mean the number of shares of O&M Holding Preferred Stock issued and retained pursuant to Section 2.03(b) hereof.

1.85 "Transfer" shall mean, when used as a verb, to sell, to transfer, to pledge, to encumber or to otherwise dispose of, and shall mean, when used as a noun, sale, transfer, pledge, encumbrance or other disposition.

1.86 "VHA" shall mean Voluntary Hospitals of America, Inc.

1.87 "VSCA" shall mean the Virginia Stock Corporation Act.

1.88 "Welfare Plans" shall have the meaning set forth in Section 4.17 hereof.

ARTICLE II

The Closing

2.01 The Exchanges. At the Effective Time and subject to the terms and conditions of this Agreement, the VSCA and the BCL, (a) all of the outstanding shares of SMI Common Stock other than Dissenting Shares (as defined in the SMI Plan of Exchange) will be exchanged for the SMI Exchange Consideration and the SMI Exchange Consideration shall be allocated among the holders of SMI Common Stock in accordance with their elections made pursuant to the SMI Plan of Exchange and (b) each of the outstanding shares of O&M Common Stock will be exchanged for one share of O&M Holding Common Stock.

2.02 Closing; Filing of Articles of Exchange. Upon the terms and subject to the conditions hereof, as soon as practicable after all of the conditions to the obligations of the parties hereunder have been satisfied or waived, the parties shall conduct the Closing for the purpose of confirming the foregoing. As soon as practicable after the Closing, (a) SMI shall in the manner required by the BCL deliver to and file with the Department of State of the Commonwealth of Pennsylvania the duly executed SMI Articles of Exchange in accordance with the provisions of the BCL, (b) O&M Holding shall in the manner required by the VSCA deliver to and file with the Commonwealth of Virginia State Corporation Commission the duly executed O&M Articles of Exchange in accordance with the VSCA and (c) the parties hereto shall take all such other action as may be required by law to make the Exchanges effective.

2.03 Holdback Shares.

(a) At the Effective Time, O&M Holding shall issue and retain, pending final determination of the Closing Balance Sheet pursuant to the provisions of Section 2.05 hereof, from the SMI Exchange Consideration to be received by each Shareholder, certificates representing 3% of that number of shares (rounded up to the nearest whole share) of the O&M Holding Preferred Stock that would be issued to such Shareholder if the cash election permitted by Section 3.02 of the SMI Plan of Exchange were not exercised by any holder of SMI Common Stock in the SMI Exchange (the "Balance Sheet Holdback Shares") . The Balance Sheet Holdback Shares shall be held and delivered as provided in Section 2.05 hereof.

(b) At the Effective Time, O&M Holding shall issue and retain from

the SMI Exchange Consideration to be received by the Shareholders, certificates representing in the aggregate that number of shares of O&M Holding Preferred Stock (rounded up to the nearest whole share) determined by dividing the outstanding principal balance (plus accrued interest thereon) of the Subordinated Note as of the Effective Time by $100 (the "Subordinated Note Holdback Shares"). The number of the Subordinated Note Holdback Shares to be so retained in respect of each Shareholder (rounded to the nearest whole share) shall be determined by multiplying the aggregate number of the Subordinated Note Holdback Shares by a fraction, the numerator of which is the number of shares of the O&M Holding Preferred Stock that would be issued to such Shareholder in the SMI Exchange if the cash election permitted by Section 3.02 of the SMI Plan of Exchange were not exercised by any holder, and the denominator of which is the aggregate number of shares of the O&M Holding Preferred Stock that would be so issued to all Shareholders in the SMI Exchange under the same assumption. Upon payment in full by SMI Funding of the Subordinated Note within 150 days after the Effective Time (including all accrued interest thereon to the date of payment), O&M Holding shall promptly deliver to the Shareholder's Representative the share certificates representing the Subordinated Note Holdback Shares (including any dividends paid or distributions made with respect thereto and any interest thereon). In the event SMI Funding fails to pay in full the Subordinated Note (including accrued interest thereon) on or before 150 days after the Effective Time, O&M Holding shall (a) retain and cancel ratably, in the same proportion as the Subordinated Note Holdback Shares were withheld from the Shareholders, the number of whole Subordinated Note Holdback Shares (including any dividends paid or distributions made with respect thereto) that when multiplied by $100 equals or exceeds by less than $100 the unpaid principal amount of the Subordinated Note (less the accounts receivable reserve reflected on the Closing Balance Sheet other than any reserve for the Midwest Receivables) plus any unpaid accrued interest thereon through 150 days after the Effective Time and (b) shall assign without recourse the Subordinated Note to the Shareholders' Representative. O&M Holding shall promptly deliver to the Shareholders' Representative any Subordinated Note Holdback Shares (including any dividends paid or distributions made with respect thereto and any interest thereon) not retained and canceled pursuant to the preceding sentence.

2.04 Voting of Holdback Shares; Dividends; Interest. Each Shareholder shall have full power to vote his respective Balance Sheet Holdback Shares and Subordinated Note Holdback Shares in accordance with Section 9.06 hereof. Any dividends paid on or other distributions made with respect to the Balance Sheet Holdback Shares or the Subordinated Note Holdback Shares shall be invested by O&M Holding in any of the following securities or accounts as designated in writing to O&M Holding by the Shareholders' Representative: (a) direct obligations of the United States of America; (b) general obligations of any state or political subdivision thereof if such obligations are rated by at least two nationally recognized rating agencies as "AA" or higher; and (c) certificates of deposit of any national bank or state bank member of the Federal Reserve System having an aggregate capital and surplus of at least $100,000,000.

2.05 Closing Balance Sheet.

(a) Within 60 days after the Effective Time, the Shareholders shall cause E&Y to prepare a balance sheet of SMI as of immediately prior to the Effective Time (the "Closing Balance Sheet") and the Shareholders shall deliver the Closing Balance Sheet to O&M Holding together with a certificate signed by the Shareholders certifying that the Closing Balance Sheet has been prepared in accordance with GAAP (except for the absence of footnotes) and this Agreement and fairly presents the assets and liabilities of SMI as of immediately prior to the Effective Time. The Closing Balance Sheet shall be prepared in accordance with GAAP (except for the absence of footnotes); provided that: (i) the Closing Balance Sheet shall not include (x) any accounts receivable other than Midwest Accounts Receivable or any accruals for the payments to be made by SMI with respect to the Phantom Stock Plans in accordance with Section 6.14 hereof or (y) any accrual of amounts that may be payable with respect to holders of Dissenting Shares (as defined in the SMI Plan of Exchange); and (ii) the reserve for obsolescent inventory on the Closing Balance Sheet shall include, without limitation, the following (except with respect to inventory acquired from U.S. Surgical that may be exchanged for other U.S. Surgical inventory without additional cost to SMI):

(A) a reserve for 100% of any item of inventory that has shown no arm's length and bona fide sales activity for a period of 12 months before the Effective Time (other than inventory purchased within 60 days before the Effective Time);

(B) a reserve for 25% of any item of inventory, the on-hand quantities of which exceed two times the total cumulative arm's length and bona fide sales of such item during the 12 months before the Effective Time, if SMI has made a substantial purchase of such item of inventory within 12 months prior to the Effective Time; and

(C) a reserve for 100% of any item of inventory, the on-hand quantities of which exceed two times the total cumulative arm's length and bona fide sales of such item during the 12 months prior to the Effective Time, if SMI has not made a substantial purchase of such item of inventory within 12 months before the Effective Time.

SMI's inventory shall be valued on a first-in, first-out basis at the lower of cost or market value. Commencing on the date of the Effective Time, SMI shall conduct, and the Shareholders' Representative, or his designee, and E&Y shall observe, a physical count of SMI's inventory as of the Effective Time.

E&Y will make its work papers available to SMI, the Shareholders' Representative, KPMG and O&M Holding's representatives once E&Y has completed the Closing Balance Sheet.

(b) Within 30 days after delivery of the Closing Balance Sheet to O&M Holding, O&M Holding may object to such balance sheet by delivering written notice of such objection ("Notice of Objection") to the Shareholders' Representative. If no Notice of Objection is delivered in accordance with the terms hereof, the Closing Balance Sheet shall be final and binding on the parties to this Agreement without modification. If a Notice of Objection is

delivered in accordance with the terms hereof, the Shareholders' Representative and O&M Holding shall confer together and attempt in good faith to agree upon a resolution of the objection. If they have not agreed upon such a resolution within 15 days after delivery of the Notice of Objection, the disputed items on the Closing Balance Sheet shall be referred to independent certified public accountants other than E&Y and KPMG (the "Review Auditors") selected by mutual agreement of O&M Holding and the Shareholders' Representative. Within 30 days after the matter is referred to them, the Review Auditors shall issue a report on their resolution of the disputed items on the Closing Balance Sheet, which shall either confirm the correctness thereof or state specifically the modifications to be made thereto. Upon delivery of such report to O&M Holding and the Shareholders' Representative, the Closing Balance Sheet shall be deemed confirmed or modified, as the case may be, in accordance therewith. The Closing Balance Sheet, as so confirmed or modified, shall be final and binding on all parties to this Agreement. O&M Holding and the Shareholders shall cooperate fully with the Review Auditors and, following the Effective Time, each of O&M Holding, on the one hand, and the Shareholders, on the other, shall bear one half of the fees and expenses of the Review Auditors for the work undertaken by them pursuant to this Section 2.05.

(c) O&M Holding shall retain and cancel, ratably in the same proportion as the Balance Sheet Holdback Shares were withheld from the Shareholders, the number of whole Balance Sheet Holdback Shares that, when multiplied by $100 equals or exceeds by less than $100 any Net Worth Deficiency and O&M Holding shall retain any dividends paid or distributions made with respect thereto. No later than ten days after the Closing Balance Sheet becomes final and binding pursuant to Section 2.05(b) hereof, O&M Holding shall deliver to the Shareholders' Representative certificates representing any Balance Sheet Holdback Shares (including any dividends paid or distributions made with respect thereto and any interest thereon) not retained and canceled pursuant to the preceding sentence. In the event the aggregate par value of the Balance Sheet Holdback Shares is less than the Net Worth Deficiency, then the Shareholders shall be obligated, jointly and severally, to immediately pay to O&M Holding the amount of such shortfall.

ARTICLE III

The Exchanges

At the Effective Time, by virtue of the Exchanges and without any action on the part of SMI, O&M, O&M Holding, or the holders of O&M Common Stock or SMI Common Stock:

(a) All of the shares of SMI Common Stock issued and outstanding immediately prior to the Effective Time (other than shares of SMI Common Stock then held in the treasury of SMI) shall, by reason of the SMI Exchange and without any action by any holder of SMI Common Stock, be exchanged for the right to receive the SMI Exchange Consideration (subject to adjustment for any stock split, reverse stock split, stock dividend or other similar distribution or reclassification with respect to the outstanding SMI Common Stock or O&M Common Stock, or any issuance of SMI Common Stock, from the date

hereof to the Effective Time, with any fractional shares of O&M Holding Preferred Stock to which a holder of SMI Common Stock would otherwise be entitled being rounded to the nearest full share (with a fraction of .5 or greater being rounded to the next highest full share)). The SMI Exchange Consideration shall be allocated among the holders of SMI Common Stock in accordance with such holders' elections made pursuant to Section 3.02 of the SMI Plan of Exchange.

(b) Each share of SMI Common Stock held in the treasury of SMI immediately prior to the Effective Time shall be automatically canceled and retired and cease to exist, and no cash or securities or other property shall be paid or payable in respect thereof.

(c) Each share of O&M Common Stock validly issued and outstanding immediately prior to the Effective Time shall, by reason of the O&M Exchange and without any action by any holder of O&M Common Stock, be exchanged for the right to receive one share of O&M Holding Common Stock in accordance with the O&M Plan of Exchange.

ARTICLE IV

Representations of SMI and the Shareholders

SMI and each of the Shareholders, jointly and severally, represent and warrant as follows:

4.01 Existence and Good Standing. SMI is a corporation duly organized and validly subsisting under the laws of the Commonwealth of Pennsylvania and is duly qualified and in good standing to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so qualified would not have a material adverse effect on SMI's business or financial condition or would not impair SMI's right to enforce any material agreement to which it is a party. SMI has full power, authority and legal right to own its property and to carry on its business as now being conducted. SMI has delivered to O&M true and complete copies of its Articles of Incorporation, as amended, and Bylaws, as currently in effect.

4.02 Authorization. SMI has corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. Each of the Shareholders has power and authority to execute and deliver this Agreement and the Related Agreements and to consummate the transactions contemplated hereby and thereby. This Agreement constitutes, and the Related Agreements (when executed and delivered pursuant hereto for value received) will constitute, the valid and binding agreements of SMI and each of the Shareholders, respectively, enforceable against SMI and each of the Shareholders in accordance with their respective terms.

4.03 No Conflict. The execution, delivery and performance of this Agreement by SMI and the Shareholders does not and will not (a) violate, conflict with or result in the breach of any provision of the Articles of Incorporation or Bylaws of SMI, (b) conflict with or violate any Law

applicable to SMI or any of the Shareholders or by which any of its assets, properties or businesses is bound or affected or (c) except as provided on Item 4.03 of the SMI Disclosure Schedule, conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension revocation or cancellation of, or result in the creation of any lien, security interest, charge or encumbrance on any of the assets or properties of SMI pursuant to, any note, bond, mortgage or indenture, contract, agreement, lease (including any leases with respect to the Leased Property), sublease, license, permit, franchise or other instrument or arrangement to which SMI or any of the Shareholders is a party or by which any of such assets or properties is bound or affected.

4.04 Capitalization. The authorized capital stock of SMI consists of 10,000,000 shares of Common Stock, $.0025 par value, of which 2,000,000 shares are issued and outstanding. All of the outstanding shares of SMI Common Stock are owned of record and beneficially by the holders indicated and in the amounts set forth on Item 4.04 of the SMI Disclosure Schedule. All such outstanding shares have been duly authorized and validly issued and are fully paid and non-assessable and free of adverse claims, liens, options, encumbrances, judgments, or restrictions of any kind, and preemptive or other rights that entitle or entitled any person to acquire such shares, and no shares of capital stock are reserved for issuance. Except as set forth on Item 4.04 of the SMI Disclosure Schedule, there are no outstanding options, warrants, rights, calls, subscriptions, commitments, conversion rights, rights of exchange, plans or other agreements or claims of any character providing for the purchase, issuance or sale of any shares of the capital stock of SMI. Except as provided on Item 4.04 of the SMI Disclosure Schedule, there are no shares of SMI Common Stock held in the treasury of SMI. There are an aggregate of 173,913 Rights (as such term is defined in the Phantom Stock Plans) issued and outstanding under the Phantom Stock Plans, each of which Rights has an Initial Value (as such term is defined in the Phantom Stock Plans) of $69.00. No shares of SMI Common Stock have been issued in violation of applicable securities laws.

4.05 Subsidiaries, Affiliated Companies and Investments. SMI does not own, directly or indirectly, of record or beneficially, any capital stock or other equity or ownership or proprietary interest in any corporation, partnership, association, trust, joint venture or other entity.

4.06 Financial Statements. SMI has heretofore furnished O&M with (a) the financial statements including the notes thereto as of and for the twelve months ended April 30, 1992, and the eight months ended December 31, 1992, which statements include the balance sheets as of those dates, and the related statements of income, shareholders' equity and cash flows for the periods then ended, as audited by E&Y and (b) the unaudited balance sheet of SMI as of October 31, 1993 (the "SMI Current Balance Sheet"), together with the related statement of income for the ten months then ended (all such financial statements being referred to collectively as the "SMI Financial

Statements"). The SMI Financial Statements have been prepared in accordance with GAAP (except as may be noted therein and except for the absence of footnotes with respect to the SMI Current Balance Sheet) and fairly present the financial condition of SMI at the respective dates thereof and the results of operations of SMI and changes in its financial position for the periods indicated (subject, in the case of the SMI Current Balance Sheet, to normal, recurring year-end audit adjustments that are not in the aggregate material).

4.07 No Material Adverse Changes. Since December 31, 1992, the business of SMI has been operated in the ordinary course and there has been no change (and to the Knowledge of SMI and the Shareholders, no fact or condition exists or is contemplated or threatened which might cause such a change in the future) in the assets or liabilities, or in the business or condition, financial or otherwise, or in the results of operations or prospects, of SMI, which individually or in the aggregate, have had a material adverse effect on the business prospects, properties or condition, financial or otherwise, of SMI; provided, however, that any deterioration in SMI's condition (financial or otherwise) or relationships with customers (other than VHA) or employees resulting from (i) SMI's announcement of the transactions contemplated hereby or (ii) business or personnel policies or actions (e.g., terminations) which O&M Holding may implement with respect to SMI following the Effective Time shall not constitute a material adverse change for these purposes (or for purposes of Section 8.02 hereof). Without limiting the foregoing, except as set forth on Item 4.07 of the SMI Disclosure Schedule, since December 31, 1992, there has not been:

(a) any loss, damage, destruction or other casualty materially and adversely affecting the business prospects, properties, assets or business of SMI (whether or not covered by insurance);

(b) (i) any increase made or agreed to in the compensation (including, without limitation, any increase pursuant to any pension, profit sharing or other plan) payable or to become payable by SMI to any of its directors, officers, agents, consultants, or any of its employees whose total compensation after such increase was in excess of $100,000 per annum other than to the persons listed on Item 4.16 of the SMI Disclosure Schedule, (ii) any bonus, percentage compensation, service award or other like benefit having a value in excess of $25,000 granted, made, agreed to or accrued to the credit of any such director, officer, agent, consultant or employee other than to the persons listed on Item 4.16 of the SMI Disclosure Schedule, or (iii) any welfare, pension, retirement or similar payment or arrangement made or agreed to by SMI for the benefit of any such director, officer, agent, consultant or employee other than to the persons listed on Item 4.16 of the SMI Disclosure Schedule;

(c) any change in any method of accounting or accounting practice of SMI;

(d) any notes or accounts receivable or portions thereof written off by SMI as uncollectible, if such write offs were either in excess of the bad debt reserve established therefor in the SMI Current Balance Sheet or incurred other than in the ordinary course of business;

(e) any issuance or sale of any stock, bonds or other corporate

securities of which SMI is the issuer, or the grant or issuance of any stock options, warrants, or other rights to purchase securities of SMI;

(f) any direct or indirect redemption, purchase or other acquisition by SMI of any shares of capital stock of SMI;

(g) any declaration, setting aside or payment of any dividend or distribution (direct or indirect, whether in cash or property, and whether characterized as salary, bonus, dividend or otherwise) other than distributions totaling $3,838,000;

(h) any discharge or satisfaction of any lien or encumbrance or payment or satisfaction of any obligation or liability (whether absolute, accrued, contingent or otherwise and whether due or to become due), other than (x) current liabilities shown on the SMI Current Balance Sheet, (y) current liabilities incurred since the date of the SMI Current Balance Sheet in the ordinary course of business and consistent with past practice, and (z) indebtedness outstanding under the credit agreement identified in paragraph 1 of Item 4.15 of the SMI Disclosure Schedule;

(i) any sale, assignment, transfer, mortgage, pledge or encumbrance of any assets (real, personal or mixed, tangible or intangible) of SMI, cancellation of any debts or claims or waiver of any rights of substantial value, except, in each case, in the ordinary course of business and consistent with past practice;

(j) any assumption, guarantee or endorsement by SMI of the obligations of any other individual or entity or any loans or advances to any individual or entity except in the normal course of business;

(k) any sale, assignment or transfer of any patents, trademarks, trade names, copyrights or other similar assets, including applications or licenses therefor;

(l) any capital expenditures, or commitment to make any capital expenditures, for additions to property, plant or equipment, not in the ordinary course of business;

(m) any payment of any amounts or liability incurred to or in respect of, or sale of any properties or assets (real, personal or mixed, tangible or intangible) to, or any transaction or any agreement or arrangement with, any corporation or business in which SMI or any of its corporate officers or directors, or any affiliate or associate of any such person, has any direct or indirect ownership interest other than the transactions listed on Item 4.19 of the SMI Disclosure Schedule;

(n) any material deterioration of relations between SMI and its customers considered as a whole, including but not limited to the loss, or to the Knowledge of SMI and the Shareholders, any threatened loss of VHA;

(o) any collective bargaining agreements entered into by SMI;

(p) any other transaction other than in the ordinary course of business or otherwise contemplated by this Agreement; or

(q) any agreement to do any of the foregoing.

4.08 Books and Records. The minute books of SMI, which have been made available to O&M, contain accurate and complete records of all corporate actions taken by the shareholders and Board of Directors (and committees thereof) of SMI from incorporation to date. The books of accounts and records of SMI are true, complete and correct in all material respects.

4.09 Governmental Authorization. The execution, delivery and performance by SMI and the Shareholders of this Agreement, and the consummation of the transactions contemplated hereby by SMI and the Shareholders, require no action by or in respect of, or filing with, any governmental body, agency, official or authority other than filings required to be made under the HSR Act, filings required to be made under applicable federal and state securities laws and filing of the SMI Articles of Exchange in connection with the SMI Exchange.

4.10 Litigation. There is no action, suit, proceeding, claim or investigation pending, or, to the Knowledge of SMI and the Shareholders, threatened against or affecting SMI which could materially and adversely affect SMI or which in any manner challenges or seeks to prevent, enjoin, alter or delay any of the transactions contemplated by this Agreement; to the Knowledge of SMI and the Shareholders, there is no valid basis for any such action, proceeding or investigation. Item 4.10A of the SMI Disclosure Schedule sets forth each pending action, suit, proceeding, claim or investigation to which SMI is a party, as well as the forum, parties thereto, a brief description of the subject matter thereof and the amount of damages claimed. Item 4.10B of the SMI Disclosure Schedule sets forth each pending action, proceeding, claim or investigation to which SMI is a party related to any separate line of business formerly, but not now, conducted by SMI (whether as an unincorporated division or business function or as a subsidiary), including without limitation Specialty and the former AIP division. SMI is not subject to any order, judgment, decree or obligation of any court, arbitrator, governmental department, commission, board, bureau, agency or instrumentality.

4.11 Liabilities. SMI has no outstanding claims, liabilities or indebtedness, contingent or otherwise, except as set forth in the SMI Current Balance Sheet, other than liabilities incurred subsequent to the date of the SMI Current Balance Sheet in the ordinary course of business and consistent with past practices. SMI is not in default in respect of the terms or conditions of any indebtedness in excess of $1,000,000, regardless of whether SMI has received notice of the existence of any such default.

4.12 Assets.

(a) Item 1.56 of the SMI Disclosure Schedule contains a complete and correct list of all of the Real Property owned by SMI. Item 1.29 of the SMI Disclosure Schedule contains a complete and correct list of all the Leased Property used by SMI. All buildings, structures and appurtenances included in the Real Property and the Leased Property: (i) are in good operating condition and in a state of good maintenance and repair, normal

wear and tear excepted; (ii) are adequate and suitable for the purposes for which they are presently being used; (iii) comply in all material respects with existing Law currently applicable to the use of each building as it is currently being used, including but not limited to, zoning, building and Occupational Safety and Health Act regulations; and (iv) contain no asbestos deemed hazardous by Law. There are two underground storage tanks located on the Real Property and no underground storage tanks located on the Leased Property.

(b) SMI has good, valid and marketable title to all assets owned by it (whether real, fee or leasehold, personal or mixed, tangible or intangible) and used in its business, including without limitation, all assets reflected in the SMI Financial Statements and all assets acquired by SMI since October 31, 1993 (except for assets that have been sold or otherwise disposed of in the ordinary course of business), free and clear of any and all mortgages, liens, encumbrances, charges, claims, restrictions, pledges, security interests or impositions other than Permitted Liens.

(c) Item 1.23 of the SMI Disclosure Schedule contains a complete and correct list of all of the Intellectual Property owned or used in the business of SMI. SMI owns all right, title and interest in and to or otherwise has the right to use the Intellectual Property. There are no claims or proceedings pending or, to the Knowledge of SMI and the Shareholders, threatened against SMI asserting that its use of any of the Intellectual Property infringes on the rights of any other person. SMI has not licensed or assigned the Intellectual Property to any third party and, to the Knowledge of SMI and the Shareholders, there are no infringing uses of any of the Intellectual Property by third parties.

4.13 Personal Property, Inventory and Accounts Receivable.

(a) All of the tangible personal property owned by SMI or used in its business is in good operating condition and repair, normal wear and tear excepted, and is sufficient for the operation of the business of SMI as presently conducted.

(b) SMI's inventory is valued on a first-in, first-out basis at the lower of cost or market value. All of such inventory shown on the SMI Financial Statements or acquired after October 31, 1993, but prior to the Effective Time is, or will be, set forth on the books and records of SMI in accordance with GAAP applied on a basis consistent with the audited financial statements of SMI for prior periods. All of such inventory (net of all inventory reserves shown on the SMI Financial Statements) is useable or saleable in the ordinary course of business.

(c) The SMI Financial Statements do not reflect any accounts receivable.

4.14 Contracts. Item 4.14 of the SMI Disclosure Schedule contains a complete and correct list of each contract, agreement, lease, plan, purchase order, arrangement or commitment of SMI, whether oral or written (the "Contracts"), that (a) is a lease of real property, (b) relates to (i) the purchase of products for resale or delivery to customers of amounts in excess

of $100,000 or having a duration in excess of three years or (ii) the supply of products to customers with actual sales in calendar year 1992 or expected sales in calendar year 1993 of $1,000,000 or more, (c) relates to the purchase of goods, equipment or services used in support of SMI's business or operations of amounts in excess of $20,000 per year and having a duration in excess of one year, (d) contains covenants pursuant to which SMI has agreed not to compete with any person or any person has agreed not to compete with SMI or (e) upon which any substantial part of SMI's business is dependent or which, if breached, could reasonably be expected to materially and adversely affect the earnings, assets, financial condition or operations of SMI. All such Contracts are valid, binding and in full force and effect, and true and correct copies thereof have been delivered to O&M. Except as set forth on Item 4.14 of the SMI Disclosure Schedule, SMI has performed each material term, covenant and condition of each of the Contracts that is to be performed by it at or before the date hereof and will perform each material term, covenant and condition of each Contract to be performed by it prior to the Effective Time. No event has occurred that would, with the passage of time or compliance with any applicable notice requirements, constitute a default by SMI under any of the Contracts and, to the Knowledge of SMI and the Shareholders, no party to any of the Contracts intends to cancel, terminate or exercise any option under any of the Contracts. Except as set forth on Item 4.14 of the SMI Disclosure Schedule, SMI's execution, delivery and performance of this Agreement will not constitute a breach of or a default under any Contract. As to those Contracts noted on Item 4.14 of the SMI Disclosure Schedule, copies of which will be made available to O&M only upon the expiration of any applicable waiting period provided for by Section 7A of the HSR Act, such Contracts individually and in the aggregate are properly reflected and accounted for in the financial records of SMI, will not impose any otherwise undisclosed additional material financial burdens or risks upon O&M or are, by their terms, terminable at will by SMI and do not obligate SMI, and will not obligate O&M, to undertake any activity of questionable legality or to be in breach or risk of breach of such Contracts in the ordinary course of SMI's business or, to the Knowledge of the Shareholders, O&M's ordinary business.

4.15 Obligations for Money Borrowed. Item 4.15 of the SMI Disclosure Schedule contains a complete and correct list of all liabilities of SMI for money borrowed. Each such obligation outstanding as of the Effective Time may be prepaid by SMI after the Effective Time without penalty under the terms thereof. Except as set forth on Item 4.15 of the SMI Disclosure Schedule, SMI is not in default under any such obligations and no event has occurred or is contemplated by SMI or, to the Knowledge of SMI and the Shareholders, by any other party that would constitute a default or an event that with the giving of notice or passage of time or both would constitute a default thereunder. SMI has paid, and through the Effective Time will pay, all amounts then due and payable under the terms of each such obligation.

4.16 Employment Agreements and Benefits. Item 4.16 of the SMI Disclosure Schedule contains a complete and correct list of all agreements relating to the compensation and other benefits of present and former employees, salesmen, consultants, contractors and other agents of SMI, including all collective bargaining agreements and all pension, retirement, bonus, stock option, profit sharing, health, disability, life insurance,

hospitalization, education, severance, termination or other similar plans or arrangements (whether or not subject to ERISA), true and complete copies of which (or true and complete descriptions of which, in the case of oral agreements) have been delivered to O&M. None of the agreements listed on Item 4.16 of the SMI Disclosure Schedule will be breached by SMI's execution, delivery and performance of this Agreement. Except as set forth on Item 4.16 of the SMI Disclosure Schedule, no such agreement requires O&M Holding to assume or make payments with respect to any employment, compensation, fringe benefit, pension, profit sharing or deferred compensation plan in respect of any employee. Item 4.16 of the SMI Disclosure Schedule includes a complete list of all officers and employees paid more than $100,000 by SMI per year.

4.17 Employee Benefit Plans.

(a) Item 4.17 of the SMI Disclosure Schedule contains a list of each "pension plan" (as defined in Section 3(2) of ERISA) (the "Pension Plans") and each "welfare plan" (as defined in Section 3(1) of ERISA) (the "Welfare Plans") now or previously maintained for the benefit of employees of SMI or to which SMI now contributes or has contributed on behalf of its employees or the employees of an ERISA Affiliate. Except as provided in Item 4.17 of the SMI Disclosure Schedule, each such plan is enforceable in accordance with its terms, and to the Knowledge of SMI and the Shareholders, no present or former employee, salesman, consultant, contractor or other agent of SMI or any dependent or beneficiary of such person has been advised with respect to any such plan in a manner that is inconsistent with the terms of such plan.

(b) Item 4.17 of the SMI Disclosure Schedule identifies each Pension Plan that is intended to be qualified (a "Qualified Pension Plan") under Section 401(a) of the Code. Each Qualified Pension Plan is in compliance with applicable law as of the date hereof. The Internal Revenue Service has issued a favorable determination letter with respect to each Qualified Pension Plan's compliance with Section 401(a) of the Code. Except as disclosed on Item 4.17 of the SMI Disclosure Schedule, there are no facts or circumstances that could reasonably be expected to jeopardize or adversely affect the qualification under Section 401(a) of any Qualified Pension Plan.

(c) No "prohibited transaction" (as defined in Section 4975 of the Code) has occurred and no "accumulated funding deficiency" (as defined in Section 302 of ERISA or Section 412 of the Code), whether or not waived, exists with respect to any Qualified Pension Plan. No Qualified Pension Plan currently or previously maintained or contributed to for the benefit of employees of SMI or an ERISA Affiliate is or was subject to the provisions of Title IV of ERISA. None of the Qualified Pension Plans has been completely or partially terminated and there has not been any "reportable event" (as defined in Section 4043(b) of ERISA) with respect to any such plans required to be reported to the PBGC by law or regulation.

(d) Each employee plan has been administered in accordance with its terms. In addition, each employee plan is in compliance with and has been administered in accordance with, the provisions of ERISA (including the rulings and regulations promulgated thereunder) and all other applicable law. All reports, returns and other documentation that are required to have been

filed with the Internal Revenue Service, the Department of Labor, the PBGC or any other governmental agency (federal, state or local) with respect to the employee plans have been filed on a timely basis. Except as set forth in Item 4.17 of the SMI Disclosure Schedule, no claims or complaints to or by any person or governmental entity have been filed or, to the knowledge of SMI and each of the Shareholders, are contemplated or threatened, with respect to any employee plan.

(e) Neither SMI nor any ERISA Affiliate contributes to or has ever contributed to or maintained a "multiemployer plan" (as defined in Section 3(37) of ERISA).

(f) Except as required by Section 601 of ERISA and Section 4980B of the Code, SMI does not maintain or contribute to any plan or arrangement which provides or has any liability to provide life insurance, medical or other benefits under a welfare benefit plan (as defined in Section 3(2) of ERISA) to any employee or former employee upon his retirement or termination of employment and SMI has never represented, promised or contracted (whether in oral or written form) to any employee or former employee that such benefits would be provided. The execution of and performance of the transactions contemplated in this Agreement and the Related Agreements will not (either alone or upon the occurrence of any additional or subsequent events) constitute an event of default under any benefit plan, policy, arrangement or agreement or any trust or loan that will or may result in any payment, acceleration, forgiveness of indebtedness, vesting, distribution, increase in benefits or obligation to fund benefits with respect to any employee.

4.18 Employee Relations. Except as set forth on Item 4.18 of the SMI Disclosure Schedule, SMI has paid or made provision for payment of all salaries and wages accrued through the date of this Agreement and is in material compliance with all federal and state laws respecting employment and employment practices, terms and conditions of employment, wages and hours and non-discrimination in employment and is not engaged in any unfair employment practice. There is no charge pending or, to the Knowledge of SMI and the Shareholders, threatened before any court or agency alleging unlawful discrimination in employment practices or any unfair labor practice by SMI's nor is there a basis for any such claim. SMI has not experienced any material labor difficulty during the three years immediately preceding the date of this Agreement.

4.19 Transactions with Affiliates. Except as set forth in Item 4.19 of the SMI Disclosure Schedule, since December 31, 1992, SMI has not, in the ordinary course of business or otherwise, purchased, leased or otherwise acquired any property or assets or obtained any services from, or sold, leased or otherwise disposed of any property or assets or provided any services to (except with respect to remuneration for services as an officer or employee of SMI) any officer, employee or Affiliate of SMI. Except as set forth on Item 4.19 of the SMI Disclosure Schedule, SMI does not owe any

amount or have any contractual obligation or commitment to any Affiliate (other than compensation for current services not yet due and payable and reimbursement of expenses arising in the ordinary course of business) and no Affiliate (including an employee of SMI) owes any amount or has any contractual obligation to SMI. Except as set forth on Item 4.19 of the SMI Disclosure Schedule, none of the holders of SMI Common Stock has any interest, direct or indirect, in any property, real or personal, tangible or intangible, used in or pertaining to the business of SMI except as a shareholder or employee of SMI.

4.20 Environmental Compliance. SMI is in compliance in all material respects with all applicable Laws relating to pollution control and environmental contamination including, but not limited to, all Laws governing the generation, use, collection, treatment, storage, transportation, recovery, removal, emission, discharge, or disposal of Hazardous Materials and all Laws with regard to recordkeeping, notification and reporting requirements respecting Hazardous Materials. SMI has not been alleged to be in violation of, nor has it been subject to any administrative or judicial proceeding pursuant to, such Laws either now or any time during the past three years. Seller has obtained all environmental permits, including those related to environmental quality and the emission, discharge, storage, handling, treatment, use, generation or transportation of Hazardous Materials. There are no liabilities, known or unknown, absolute or contingent, related to the Real Property or Leased Property or the conduct of SMI's business arising in connection with the generation, use, treatment, storage, release, disposal, emission, discharge, arranging for disposal or transportation of Hazardous Materials. SMI has not, and to the Knowledge of SMI and the Shareholders, no other person has, released from or deposited on the Real Property or Leased Property any, Hazardous Materials or used the Real Property or Leased Property as a hazardous waste treatment, storage or disposal site. There are no facts or circumstances that SMI or the Shareholders reasonably believe could form the basis for the assertion of any claim against SMI relating to environmental matters including, but not limited to, any claim arising from past or present environmental practices asserted under CERCLA, RCRA, the Clean Air Act, the Clean Water Act or any other federal, state or local environmental statute, regulation, policy, guideline, order, judgment or decree. Promptly upon learning thereof, SMI and the Shareholders will advise O&M of any facts or circumstances that could form the basis for the assertion of any claim against SMI relating to environmental matters including, but not limited to, any claim arising from past or present environmental practices under CERCLA, RCRA, the Clean Air Act, the Clean Water Act or any other federal, state or local environmental statute.

4.21 Tax Matters. Pursuant to an election made before January 1, 1987, in accordance with Section 1362(a) and (b) of the Code and the regulations

thereunder, SMI continuously has been and is an "S Corporation" within the meaning of Section 1361(a)(1) of the Code. SMI has filed or, in the case of returns not yet due, will file all tax returns and reports required to have been filed by it on or before the date of the Effective Time, and all material information set forth in such returns or reports is or (in the case of returns or reports not yet due) will be accurate and complete. SMI has paid or made adequate provision for or (with respect to returns or reports not yet due) on or before the date of the Effective Time will pay or make adequate provision for all taxes, additions to tax, penalties and interest payable by SMI for all periods covered by those returns or reports. Except as set forth on Item 4.21 of the SMI Disclosure Schedule and (solely with respect to liabilities arising after the date hereof) except as will be accrued on the Closing Balance Sheet, there are, and on the date of the Effective Time will be, no unpaid taxes, additions to tax, penalties, or interest payable by SMI or by any other person that are or could become a lien on any asset, or otherwise adversely affect the business, properties, or financial condition, of SMI. SMI has collected or withheld, or will collect or withhold before the date of the Effective Time, all amounts required to be collected or withheld by it for any taxes or assessments, and all such amounts have been, or on or before the date of the Effective Time will have been, paid to the appropriate governmental agencies or set aside in appropriate accounts for future payment when due. SMI is in compliance with, and its records contain all information and documents (including, without limitation, executed Forms W-9) necessary to comply with, all applicable

information reporting and tax withholding requirements. The balance sheets contained in the SMI Financial Statements fully and properly reflect, as of the date thereof, the liabilities of SMI for all accrued taxes, additions to tax, penalties and interest. For periods ending after October 31, 1993, the books and records of SMI fully and properly reflect and the Closing Balance Sheet will reflect SMI's liability for all accrued taxes, additions to tax, penalties and interest. Except as disclosed in Item 4.21 of the SMI Disclosure Schedule, SMI has not granted nor is it subject to any waiver of the period of limitations for the assessment of tax for any currently open taxable period, no unpaid tax deficiency has been asserted against or with respect to SMI by any taxing authority, and SMI is not required to include in income any amount for an adjustment pursuant to Section 481 of the Code or the regulations thereunder. Item 4.21 of the SMI Disclosure Schedule lists by jurisdiction the date of the last clearance or audit of SMI by a state or local authority with respect to sales or income taxes. Item 4.21 of the SMI Disclosure Schedule describes all material tax elections and consents affecting SMI. SMI has not made or entered into, and holds no asset subject to, a consent filed pursuant to Section 341(f) of the Code and the

regulations thereunder or a "safe harbor lease" subject to former Section 168(f)(8) of the Code and the regulations thereunder. None of the Shareholders is a "foreign person" for purposes of Section 1445 of the Code.

4.22 Insurance. Item 4.22 of the SMI Disclosure Schedule contains a complete and correct list of all policies of property, fire and casualty, product liability, workers' compensation, automobile and other forms of insurance owned or held by SMI and includes for each such policy its type, term, limits and retentions, deductibles, name of insurer, annual premiums, the aggregate remaining unused limits for each such policy giving effect to claims made and expected to be made thereunder and, for product liability

policies, whether such policy is claims made coverage or occurrence-based coverage. All such policies (a) are in full force and effect with all premiums due having been paid in full and are sufficient for compliance by SMI with all requirements of law and all agreements to which SMI is a party, (b) are valid, outstanding and enforceable policies, (c) insure against risks of the kind customarily insured against and (d) provide that they will remain in full force and effect through the respective dates set forth in Item 4.22 of the SMI Disclosure Schedule, subject to the cancellation rights specified in such policies. Except as set forth on Item 4.22 of the SMI Disclosure, during the last two years, SMI has not been denied any insurance coverage which it has requested, has made no material change in the scope or nature of its insurance coverage and has not received notice of any material increase in premiums for any of such policies nor of any termination or refusal to renew such policies. All policies of primary comprehensive general liability insurance and excess carriers insurance which insure against product liability claims which SMI has maintained during the past five years are set forth on Item 4.22 of the SMI Disclosure Schedule including the same information with respect to such policies as is set forth for SMI's current policies. All vendors to SMI which maintain vendor's endorsements on their liability insurance policies are set forth on Item 4.22 of the SMI Disclosure Schedule. During the past five years, there has been no lapse in coverage of SMI's property, fire and casualty, product liability, workers' compensation, automobile, comprehensive general liability or other form of insurance carried by SMI in the ordinary course of its business.

4.23 Absence of Certain Practices. To the Knowledge of SMI and the Shareholders, no officer, director, shareholder, employee or agent of SMI has, directly or indirectly, given or made or agreed to give or make any improper or illegal commission, payment, gratuity, gift, political contribution or similar benefit to any customer, supplier, governmental employee or other person who is or may be in a position to assist or hinder the business of SMI.

4.24 Compliance with Laws. Except as disclosed on Item 4.24 of the SMI Disclosure Schedule, SMI is in compliance in all material respects with all Laws applicable to SMI or its operations. SMI holds all licenses, certificates and permits from all regulatory authorities that are material to the conduct of its business, all of which are valid and in full force and effect.

4.25 Certain Obligations. None of SMI or the Shareholders have any continuing obligations to Baxter International, Inc. or any Affiliate thereof pursuant to any written or oral agreement or otherwise.

4.26 Pricing Audits. Item 4.26 of the SMI Disclosure Schedule sets forth the results of all of SMI's customer pricing audits conducted since December 31, 1991. Except as disclosed in Item 4.26 of the SMI Disclosure Schedule, as of the date hereof, there are no customer pricing audits of SMI being conducted.

4.27 Disclosure. Neither this Agreement nor the SMI Financial Statements contains any untrue statement of a fact or omits to state a fact necessary in order to make the statements contained herein or therein, in

light of the circumstances under which they are made, not misleading. To the Knowledge of SMI and the Shareholders, there is no fact which materially and adversely affects or could affect the business, prospects or financial condition of SMI or its properties or assets, which has not been described in this Agreement or the SMI Financial Statements.

4.28 Broker's or Finder's Fees. No agent, broker, person or firm acting on behalf of SMI or the Shareholders is or will be entitled to any commission or broker's or finder's fees from any of the parties hereto, or from any Affiliate of the parties hereto, in connection with any of the transactions contemplated by this Agreement.

ARTICLE V

Representations of O&M

O&M hereby represents and warrants as follows:

5.01 Existence and Good Standing.

(a) O&M is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia and is duly qualified and in good standing to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so qualified would not have a material adverse effect on its business or financial condition or would not impair O&M's right to enforce any material agreement to which it is a party. O&M has full power, authority and legal right to own its property and to carry on its business as now being conducted. O&M has delivered to SMI true and complete copies of its Articles of Incorporation, as amended, and Bylaws, as currently in effect.

(b) O&M Holding is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia.

5.02 Authorization. Each of O&M and O&M Holding has the corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. This Agreement constitutes and the Related Agreements (when executed and delivered pursuant hereto for value received) will constitute the valid and binding agreements of O&M and O&M Holding enforceable against O&M and O&M Holding in accordance with their respective terms.

5.03 No Conflict. The execution, delivery and performance of this Agreement by O&M and O&M Holding do not and will not (a) violate, conflict with or result in the breach of any provision of the Articles of Incorporation or Bylaws of O&M or O&M Holding, (b) conflict with or violate any Law applicable to O&M or O&M Holding or by which any of O&M's assets, properties or businesses is bound or affected or (c) except as provided by Item 5.03 of the O&M Disclosure Schedule, conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under,

or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of, or result in the creation of any lien, security, interest, charge or encumbrance on any of the assets or properties of O&M pursuant to, any note, bond, mortgage or indenture, contract, agreement, lease, sublease, license, permit, franchise or other instrument or arrangement to which O&M is a party or by which any of such assets or properties is bound or affected.

5.04 Capitalization.

(a) The authorized capital stock of O&M consists of (a) 30,000,000 shares of O&M Common Stock, $2.00 par value, of which (i) 20,282,405 shares are issued and outstanding, (ii) no shares are issued and held in treasury and (iii) 1,453,524 shares are reserved for issuance upon the exercise or conversion of options, warrants or convertible securities granted or issued by O&M and (b) 1,000,000 shares of cumulative Preferred Stock, $10.00 par value (300,000 shares of which have been designated as Series A Participating Preferred Stock issuable pursuant to O&M's Rights Agreement dated as of June 22, 1988 or otherwise by O&M's Board of Directors), none of which shares are issued and outstanding. All such outstanding shares have been duly authorized and validly issued and are fully paid and nonassessable and were issued free of preemptive or similar rights that entitled any person to acquire such shares.

(b) The authorized capital stock of O&M Holding consists of 100 shares of common stock, $2.00 par value, of which ten shares are issued and outstanding. All such outstanding shares have been duly authorized and validly issued and are fully paid and nonassessable and were issued free of adverse claims, liens, options, encumbrances, judgments, or restrictions of any kind, and preemptive or other rights that entitled any person to acquire such shares. The shares of O&M Holding Preferred Stock to be issued to the holders of SMI Common Stock in the SMI Exchange will be fully paid and nonassessable and free of adverse claims, liens, options, encumbrances, judgments, or restrictions of any kind, and preemptive or other rights that entitle any person to acquire such shares.

5.05 Subsidiaries, Affiliated Companies and Investments. O&M owns, directly or indirectly, each of the outstanding shares of capital stock of each of the O&M Subsidiaries. Except for interests in the O&M Subsidiaries, O&M does not own, directly or indirectly, of record or beneficially, any capital stock or other equity or ownership or proprietary interest in any corporation, partnership, association, trust, joint venture or other entity.

5.06 Financial Statements. The financial statements and schedules of O&M contained in O&M's Annual Report on Form 10-K for the year ended December 31, 1992 and in O&M's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1993 (the "O&M Financial Statements") as filed with the SEC, were prepared in accordance with GAAP, except as may be noted therein, and fairly present the financial condition of O&M at the respective dates thereof and the results of operations of O&M for the periods indicated (subject, in the case of unaudited financial statements to normal, recurring year-end adjustments that are not in the aggregate material.)

5.07 No Changes. Since September 30, 1993, the business of O&M and the O&M Subsidiaries has been operated in the ordinary course consistent with past practice, and there has not been (and to the Knowledge of O&M, no fact or condition exists or is contemplated or threatened which might cause such change in the future) (a) any material adverse change in the operations, properties or condition (financial or otherwise) of O&M and the O&M Subsidiaries or (b) any other change in the nature of, or in the manner of conducting, the business of O&M and the O&M Subsidiaries, other than changes which neither have had, nor reasonably may be expected to have, a material adverse effect on the business of O&M and the O&M Subsidiaries considered as a whole.

5.08 Books and Records. The books of accounts and records of O&M are true, complete and correct in all material respects.

5.09 Governmental Authorization. The execution, delivery and performance by O&M and O&M Holding of this Agreement and the consummation of the transactions contemplated hereby by O&M and O&M Holding, require no action by or in respect of, or filing with, any governmental body, agency, official or authority other than fillings required to be made under the HSR Act, filings required to be made under applicable federal and state securities laws and filing of the O&M Articles of Exchange in connection with the O&M Exchange.

5.10 Litigation. There is no action, suit, proceeding, claim or investigation pending, or, to the Knowledge of O&M, threatened against or affecting O&M or O&M Holding which could materially and adversely affect O&M or which in any manner challenges or seeks to prevent, enjoin, alter or delay any of the transactions contemplated by this Agreement; to the Knowledge of O&M, there is no valid basis for any such action, proceeding or investigation. Item 5.10 of the O&M Disclosure Schedule sets forth each pending action, suit, proceeding, claim or investigation to which O&M or O&M Holding is a party, as well as the forum, parties thereto, a brief description of the subject matter thereof and the amount of damages claimed. O&M Holding is not subject to any order, judgment, decree or obligation of any court, arbitrator, governmental department, commission, board, bureau, agency or instrumentality.

5.11 Liabilities. O&M has no outstanding claims, liabilities or indebtedness, contingent or otherwise, except as set forth in the O&M Financial Statements, other than liabilities incurred subsequent to September 30, 1993, in the ordinary course of business and consistent with past practices. O&M is not in default in respect of the terms or conditions of any indebtedness, regardless of whether O&M has received notice of the existence of any such default.

5.12 Compliance with Laws. Except as disclosed on Item 5.12 of the O&M Disclosure Schedule, O&M is in compliance in all material respects with all Laws applicable to its operations. O&M holds all licenses, certificates and permits from all regulatory authorities that are material to the conduct of its business, all of which are valid and in full force and effect.

5.13 Disclosure. Neither this Agreement nor the O&M Financial

Statements contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein, in light of the circumstances under which they are made, not misleading. To the Knowledge of O&M, there is no fact which materially and adversely affects or could affect the business, prospects or financial condition of O&M or O&M Holding or their respective properties or assets, which has not been described in this Agreement, the SEC Reports or the O&M Financial Statements.

5.14 Securities Reports. O&M has filed, and delivered to SMI complete copies of, all forms, reports, statements and other documents required to be filed with the SEC since January 1, 1990 by O&M including, without limitation, (a) all Annual Reports on Form 10-K, (b) all Quarterly Reports on Form 10-Q, (c) all proxy statements relating to meetings of shareholders (whether annual or special), (d) all Current Reports on Form 8-K, (e) all other reports or registration statements and (f) all amendments and supplements to all such reports and registration statements (collectively "SEC Reports"). The SEC Reports did not at the time they were filed contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

5.15 Broker's or Finder's Fees. No agent, broker, person or firm acting on behalf of O&M is or will be entitled to any commission or broker's or finder's fees from any of the parties hereto, or from any Affiliate of the parties hereto, in connection with any of the transactions contemplated by this Agreement except that O&M has retained J. P. Morgan as its financial advisor.

ARTICLE VI

Conduct of Businesses and Certain Other Actions Pending the Effective Time

6.01 Access to Information Concerning Properties and Records for Due Diligence Review. Following the execution and delivery of this Agreement, SMI shall give, and shall cause its officers, directors and agents to give, to O&M and its counsel, accountants and other representatives, and O&M shall give, and shall cause its officers, directors and agents to give, to SMI and the Shareholders and their counsel, accountants and other representatives, full access during normal business hours to all of the offices, properties, books, contracts, commitments, records and affairs of SMI or O&M, as the case may be, and will promptly furnish copies of all documents and information concerning the business, operations, properties and affairs of O&M that SMI or its representatives or of SMI that O&M and its representatives may reasonably request. SMI, the Shareholders and O&M agree to jointly plan and conduct such due diligence in a manner reasonably believed not to adversely affect the relationship and good will of the employees, customers, vendors and other business partners of SMI and O&M. Notwithstanding the foregoing, SMI and O&M may restrict the access of the other to certain commercially sensitive information with respect to pricing, margins and contractual terms

with specific vendors and customers prior to expiration of the waiting period (and any extensions thereof) under the HSR Act, provided that reasonable arrangements shall be made for the conduct of the review of such information promptly following such expiration and the completion of such review before the mailing of the Proxy Statement/Prospectus.

6.02 Obligations Concerning Confidentiality.

(a) SMI, the Shareholders and O&M and O&M Holding will treat all such information obtained from the other in strict confidence and will take all necessary or appropriate actions to prevent disclosure of such confidential information to third parties without the prior consent of the other party and will use all reasonable efforts to cause their Affiliates and advisors to keep such information confidential; provided, however, that: (i) any of such information obtained by a party hereto may be disclosed to the directors, officers, employees, representatives, advisors and Affiliates of such party solely in connection with this Agreement and the transactions contemplated hereby (it being understood that such directors, officers, employees, representatives and advisors shall be informed by such party of the confidential nature of such information and shall be directed by such party to treat such information confidentially); and (ii) any of such information may be disclosed as, in the opinion of counsel to O&M, is required to be disclosed in the Proxy Statement/Prospectus or in any report or other filing made by O&M under the Securities Act or the Exchange Act or, in the reasonable judgment of O&M, is necessary to be disclosed in connection with obtaining the financing described in Section 8.14. The foregoing shall not apply to any party with respect to information which:

(i) was at the time of disclosure generally available to the public, other than by breach of this provision;

(ii) was in the possession of such party prior to disclosure by the other party;

(iii) after such disclosure was acquired in good faith from a third party, who did not obtain it directly or indirectly from SMI, O&M, or any agent of any such party

unlawfully; or

(iv) was developed independently within the organization of SMI or O&M, as the case may be, by personnel not having access to such information.

(b) Notwithstanding anything in paragraph (a) of this Section

6.02, confidential information may be disclosed, if and only to the extent legally required, in response to legal process or applicable governmental regulations, provided that the party obligated to disclose such information first notifies the other party of the obligation to disclose such confidential information and the party so obligated fully cooperates with the other party in taking such measures as shall be appropriate and to the extent and in the manner permissible under applicable Law.

(c) If this Agreement should terminate for any reason, SMI and the Shareholders will return to O&M all documents obtained by it or its agents from O&M, containing non-public information concerning O&M and shall destroy or cause to be destroyed any copies thereof made for SMI or any of its agents or employees or the Shareholders, and O&M will return to SMI all documents obtained by it or its agents from SMI or the Shareholders, containing non-public information concerning SMI or the Shareholders, and shall destroy or cause to be destroyed any copies thereof made for O&M or any of its agents or employees.

6.03 Conduct of Business by SMI Pending the Effective Time. SMI covenants and agrees that, from the date of this Agreement until the Effective Time or the earlier termination of this Agreement for any reason, SMI shall conduct its operations in the ordinary course and consistent with past practices (except for entry into new product lines and markets), and shall use its best efforts to (a) maintain and preserve its business organization, (b) retain the services of its key employees and (c) maintain relationships with customers, suppliers, and other third parties such that their goodwill and ongoing business shall not be impaired in any material respect. Without limiting the generality of the foregoing, during the period from the date hereof until the Effective Time, SMI shall not, except as otherwise expressly provided in this Agreement, without the prior written consent of O&M:

(a) do or effect any of the following actions with respect to the securities of SMI: (i) adjust, split, combine or reclassify its capital stock; (ii) make, declare or pay any dividend or distribution on or directly or indirectly redeem, purchase or otherwise acquire, any shares of its capital stock or any securities or obligations convertible into or exchangeable for any shares of its capital stock (except with respect to distributions aggregating (x) $3,000,000, plus (y) 45% of SMI's taxable income for the period from January 1, 1993 through the Effective Time, reduced by any distributions previously made with respect to such taxable income); (iii) grant any person any right to acquire any shares of its capital stock including rights under the Phantom Plans; (iv) issue, deliver or sell or agree to issue, deliver or sell any additional shares of its capital stock or any securities or obligations convertible into or exchangeable or exercisable for any shares of its capital stock or such securities; or (v) enter into any agreement, understanding or arrangement with respect to the sale of capital stock;

(b) sell, transfer, pledge, mortgage, encumber or otherwise dispose of any of its property or assets other than sales of inventory made in the ordinary course of business;

(c) make or propose any changes in its Articles of Incorporation or Bylaws;

(d) merge or consolidate with any other person or acquire a significant amount of the assets or the capital stock of any other person other than the Midwest Acquisition;

(e) incur, create, assume or otherwise become liable for any indebtedness for borrowed money other than in the ordinary course of business and pursuant to the Midwest Acquisition in accordance with Section 6.18 hereof;

(f) create any subsidiaries;

(g) other than in the ordinary course of business, enter into or modify any employment, severance, termination or similar agreements or arrangements with, or grant any bonuses, salary increases, severance or termination pay to, any officer, director, consultant or employee;

(h) change any method or principle of accounting in a manner that is inconsistent with past practice;

(i) make or revoke any tax election;

(j) settle any claims, litigation or actions, whether now pending or hereafter made or brought, unless such settlement does not result in a material adverse effect on the business or condition (financial or otherwise) of SMI;

(k) forgive any indebtedness or other obligations of any Affiliate of SMI or third party to SMI;

(l) make any commitments for capital expenditures other than in the ordinary course of business; or

(m) agree to commit to do any of the foregoing.

6.04 HSR Act Filings. SMI and O&M agree to make their respective filings promptly pursuant to the HSR Act, and to use their reasonable best efforts (which shall not include the obligation of O&M to divest any business or operations of SMI or O&M other than a divestiture of a de minimis amount of such business or operations), and to cooperate with each other in their efforts to effect compliance with the HSR Act. SMI and O&M will each supply the other party with a draft notification prior to filing, and a copy of its notification as filed, without exhibits.

6.05 No Shopping. Prior to the Effective Time or termination of this Agreement pursuant to Section 10.01 hereof, neither SMI or the Shareholders will, directly or indirectly, through any officer or director of SMI, any agent or otherwise: (a) solicit, initiate, encourage the submission of,

respond to or discuss inquiries or proposals of offers from any person relating to any acquisition or purchase of assets of, or any equity interest

in, SMI or the SMI Common Stock or any exchange offer, merger, consolidation, business combination, sale of substantial assets or of a substantial amount of assets, sale of securities, liquidation, dissolution or similar transactions involving SMI or the Shareholders (a "Competing Transaction"); (b) enter into or participate in any discussions or negotiations regarding a Competing Transaction, or furnish to any other person any information with respect to the business, properties or assets of SMI; or (c) otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any other person to do or seek a Competing Transaction. SMI and the Shareholders shall immediately notify O&M of any proposal relating to a Competing Transaction or if any inquiry or contact with any person with respect thereto is made and shall immediately deliver to O&M copies of any such written proposal or offer and any communications made in response thereto.

6.06 Shareholders Meeting. SMI shall duly call a meeting of the holders of SMI Common Stock to be held as soon as practicable (or arrange for action by unanimous written consent) for the purpose of voting on adoption of the SMI Plan of Exchange and approval of the transactions contemplated by this Agreement. Each Shareholder covenants and agrees to vote, or cause to be voted, all shares of SMI Common Stock owned by him in favor of approval of the SMI Plan of Exchange and approval of the transactions contemplated by this Agreement.

6.07 Certain Notices. After the date hereof and prior to the Effective Time, SMI and the Shareholders shall give prompt notice to O&M of (a) any notice of, or other communication received by SMI relating to, a default or event which with notice or lapse of time or both would become a default under its Articles of Incorporation or Bylaws, or any indenture, loan agreement or other material agreement to which SMI is a party, by which it or any of its properties is bound or to which it or any of its properties is subject, (b) any notice or other communication from any third party received by SMI alleging that the consent of such third party is or may be required in connection with the transactions contemplated hereby and (c) any matter which, if it had occurred prior to the date hereof, would have made any of SMI's and the Shareholders' representations and warranties incorrect, incomplete or misleading.

6.08 Consents and Approvals. SMI and the Shareholders shall use its and their respective best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement, to cooperate with O&M in connection with the foregoing and to obtain all material consents, waivers, approvals, authorizations or orders required for the authorization, execution and delivery of this Agreement and the SMI Plan of Exchange by SMI and the consummation by SMI of the transactions contemplated hereby and thereby prior to the Effective Time and to furnish true, correct and complete copies of each thereof to O&M. Without limiting the foregoing, SMI and each of the Shareholders shall use its and their respective best efforts: (a) to obtain all waivers, consents and approvals listed on Item 4.03 of the SMI Disclosure Schedule; (b) to obtain all necessary consents, approvals and authorizations as are required to be obtained under any Laws, to defend all lawsuits or other legal proceedings

challenging this Agreement or the Related Agreements or the consummation of the transactions contemplated hereby, to lift or rescind any injunction or restraining order or other order adversely affecting the ability of the parties to consummate the transactions contemplated hereby; and (c) to effect all necessary registrations and filings and submissions of information requested by governmental authorities.

6.09 Proxy Statement/Prospectus. SMI and the Shareholders, at the Shareholders' sole expense, shall furnish to O&M and O&M Holding (a) as soon as practicable, but in no event later than February 28, 1994, all financial statements with respect to SMI and Midwest required to be included in the Proxy Statement/Prospectus and (b) within 45 days after the date hereof, all other information concerning SMI required for inclusion in the Proxy Statement/Prospectus, or for any application or other filing to be made by O&M or O&M Holding pursuant to this Agreement or pursuant to the rules and regulations of any governmental body in connection with the transactions contemplated by this Agreement, including without limitation all filings required to be made under federal laws or state securities laws, and shall otherwise cooperate with O&M and O&M Holding in connection therewith. SMI represents and warrants that all information so furnished to O&M and O&M Holding shall be correct in all material respects and shall not omit any material fact required to be stated therein or necessary in order to make the statements therein not misleading, and if SMI shall at any time discover that any such information so furnished shall not be in compliance with the foregoing, it will immediately notify O&M and O&M Holding of the same and correct and supplement any such information to the extent that it is necessary to do so. O&M represents and warrants that all information in the Proxy Statement/Prospectus other than information furnished to O&M by SMI and the Shareholders shall be correct in all material respects and shall not omit any material fact required to be stated therein or necessary in order to make the statements therein not misleading.

6.10 Shareholders Meeting; Proxy Statement/Prospectus. O&M shall duly call the O&M Shareholders' Meeting to be held as soon as practicable in accordance with O&M's Bylaws and applicable Law for the purpose of approving this Agreement and the transactions contemplated hereby, including the O&M Plan of Exchange, and agrees to use its best efforts to obtain the necessary adoption and approval thereof by the holders of O&M Common Stock. As promptly as practicable following the execution and delivery of this Agreement, O&M and O&M Holding shall prepare and file with the SEC the Proxy Statement/Prospectus and form of proxy complying in all respects with the proxy rules of the SEC and shall deliver the Proxy Statement/Prospectus and form of proxy to its shareholders of record at the earliest practicable date permitted under such rules for purposes of soliciting the proxies of the holders of O&M Common Stock for the O&M Shareholders' Meeting.

6.11 Certain Notices. After the date hereof and prior to the Effective Time, O&M shall give prompt notice to SMI and the Shareholders of (a) any notice of, or other communication received by O&M relating to, a default or event which with notice or lapse of time or both would become a default under its Articles of Incorporation or Bylaws, or any indenture, loan agreement or other material agreement to which O&M is a party, by which it or any of its properties is bound or to which it or any of its properties is subject, (b) any notice or other communication from any third party received by O&M alleging that the consent of such third party is or may be required in

connection with the transactions contemplated hereby and (c) any matter which, if it had occurred prior to the date hereof, would have made any of O&M's representations and warranties incorrect, incomplete or misleading.

6.12 Consents and Approvals. Each of O&M and O&M Holding shall use its best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement, to cooperate with SMI in connection with the foregoing and to obtain all consents, waivers, approvals, authorizations or orders required for the authorization, execution and delivery of this Agreement by O&M and the consummation by it of the transactions contemplated hereby and thereby prior to the Effective Time and to furnish true, correct and complete copies of each thereof to SMI. Without limiting the foregoing, O&M shall use its best efforts: (a) to obtain all waivers, consents and approvals listed on Item 5.03 of the O&M Disclosure Schedule; (b) to obtain all necessary consents, approvals and authorizations as are required to be obtained under any Laws, to defend all lawsuits or other legal proceedings challenging this Agreement or the Related Agreements

or the consummation of the transactions contemplated hereby, to lift or rescind any injunction or restraining order or other order adversely affecting the ability of the parties to consummate the transactions contemplated hereby; and (c) to effect all necessary registrations and filings and submissions of information requested by governmental authorities.

6.13 Severance Agreements. The Shareholders shall obtain from each person who is a party to a Severance Agreement an agreement of satisfaction and release of SMI, O&M and O&M Holding with respect thereto in a form satisfactory to O&M Holding.

6.14 Phantom Stock Plans. SMI shall use its best efforts to obtain from each participant in the Phantom Stock Plans an agreement of satisfaction and release effective upon payment by SMI of $1,800,000 pursuant to Section 9.14 hereof in a form satisfactory to O&M.

6.15 SMI Funding.

(a) SMI will continue to sell all of its accounts receivable to SMI Funding in accordance with the Sale and Administration Agreement through the close of business on the day immediately preceding the Effective Time. Before the Effective Time, SMI and SMI Funding will enter into an agreement satisfactory to them and to O&M Holding providing for the termination, no later than 150 days after the Effective Time, of the Sale and Administration Agreement and any agreement relating thereto. Such agreement also will provide, without limitation, that: (i) as of the close of business on the day immediately preceding the Effective Time, SMI shall have no further obligations to sell its receivables to SMI Funding and SMI Funding shall have no further obligations to purchase such receivables; (ii) for a period not to exceed 150 days after the Effective Time, SMI will continue to receive and remit to SMI Funding the proceeds of all SMI receivables sold to SMI Funding prior to the Effective Time; (iii) from and after the Effective Time, SMI will have no obligations or liabilities whatsoever under the Sale and Administration Agreement or any other agreement relating thereto; and (iv) the following provisions will govern the application of payments received: (x) all payments on accounts received or collected by SMI on or after the Effective Time will be allocated among the receivables sold to SMI Funding

and the receivables of SMI arising on or after the Effective Time in the manner specified in the remittance advice accompanying such payment; (y) if such allocation is not so specified in any remittance advice, SMI will contact the customer and request instructions as to how such payment should be allocated and (z) if the customer then declines to give such instructions, the amount of such payment shall be applied against the oldest outstanding invoices.

(b) SMI will use its best efforts to sell all accounts receivable purchased from Midwest in connection with the Midwest Acquisition to SMI Funding pursuant to the terms of the Sale and Administration Agreement.

6.16 Supply Agreement. Prior to the Effective Time, SMI shall have terminated its supply agreement with Pittsburgh International Medical Supply and SMI shall have no further obligations under such agreement thereafter.

6.17 Servicing Agreements. Prior to the Effective Time, SMI and Specialty shall have agreed in writing that (i) the Servicing Agreement between them dated July 30, 1993 shall terminate no later than June 30, 1994 with respect to management information systems services and no later than the Effective Time with respect to all other services provided thereunder and (ii) the Warehousing Agreement between them dated July 30, 1993 shall terminate no later than June 30, 1994.

6.18 Midwest Acquisition. SMI and O&M acknowledge that SMI has entered into a letter of intent with respect to the Midwest Acquisition. The Shareholders agree that they shall cause the Midwest Acquisition to be consummated for an aggregate purchase price of not more than $12 million (including the assumption of indebtedness and all payments to any person in connection with such acquisition) no later than January 15, 1994.

6.19 Fixed Assets Inventory.

(a) On or before January 31, 1994, SMI shall permit O&M and its representatives, together with SMI, to conduct an inventory of the fixed assets of SMI of such scope as agreed upon between the parties. SMI agrees to give O&M and its representatives access during normal business hours to all of the offices, properties and relevant books and records of SMI in accordance with the provisions of Section 6.01 hereof for purposes of conducting any such fixed assets inventory.

(b) SMI shall use its reasonable best efforts to preserve its fixed assets and prevent theft of its fixed assets, including personal computers.

6.20 Specialty Obligations. Prior to the Effective Time, Specialty shall have paid in full the Specialty Obligations, including accrued interest thereon, if any, to the date of payment.

ARTICLE VII

Conditions Precedent to Obligations of SMI and the Shareholders

The obligations of SMI and the Shareholders under this Agreement are

subject, at the option of SMI and the Shareholders, to the fulfillment at or prior to the Effective Time of each of the following conditions:

7.01 O&M Obligations. O&M shall have performed each obligation and covenant to be performed by it hereunder on or prior to the Effective Time.

7.02 Accuracy of Representations and Warranties. The representations and warranties of O&M set forth in this Agreement shall be true and correct in all material respects at and as of the Effective Time as if made at and as of such time, except (a) as explicitly permitted by this Agreement and (b) to the extent that any such representation or warranty is made as of a specified date, in which case such representation or warranty shall have been true and correct as of such date.

7.03 Consents and Approvals. SMI shall have received, each in form and substance satisfactory to SMI, all authorizations, consents, orders and approvals of all governmental authorities and officials and all third party consents listed on Item 4.03 of the SMI Disclosure Schedule and Item 5.03 of the O&M Disclosure Schedule which SMI deems reasonably necessary for the consummation of the transactions contemplated by this Agreement.

7.04 Court Orders. No preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission or statute, rule, regulation or executive order promulgated or enacted by any governmental authority shall be in effect which would (a) make the Exchanges or any of the transactions contemplated hereby illegal, (b) impose limitations on the ability of SMI or O&M to operate their businesses following the Exchanges other than a de minimus divestiture of SMI's or O&M's business or operations as provided in Section 6.04 hereof or (c) otherwise prevent the consummation of the Exchanges or the other transactions contemplated hereby.

7.05 HSR Act. The waiting period (and any extensions thereof) under the HSR Act applicable to the SMI Exchange shall have expired or terminated.

7.06 Actions and Proceedings. No suit, action or proceeding before any court or any governmental or regulatory authority shall have been commenced and be pending by any person against SMI, the Shareholders, O&M or O&M Holding or any of their Affiliates, associates, officers or directors seeking to restrain, prevent, change or delay in any respect the transactions contemplated hereby, challenging any of the material terms or provisions of this Agreement or seeking damages in connection with the transactions contemplated hereby.

7.07 O&M Shareholder Vote. At O&M's Shareholders' Meeting, the holders of more than two-thirds of the issued and outstanding shares of O&M Common Stock shall have voted to approve this Agreement and the transactions contemplated hereby, including the O&M Plan of Exchange.

7.08 Completion of Investigation. On or before the date the Proxy

Statement/Prospectus is mailed to the holders of O&M Common Stock, SMI and the Shareholders shall have completed to their reasonable satisfaction, as determined in good faith, a business and legal investigation of the matters set forth in the O&M Disclosure Schedule. SMI, the Shareholders, O&M and O&M Holding shall negotiate in good faith to resolve any issues disclosed in such investigation.

7.09 Deliveries at Closing. O&M shall have delivered to SMI and the Shareholders, each properly executed and dated as of the date of Closing:

(a) a certificate of the Chief Executive Officer and Chief Financial Officer of O&M to the effect that, to their Knowledge, the conditions specified in Section 7.01 and 7.02 hereof have been fulfilled;

(b) certified resolutions duly adopted by O&M's Board of Directors approving the execution and delivery of this Agreement and consummation of the transactions contemplated hereby and certified resolutions duly adopted by the holders of O&M Common Stock approving this Agreement and the transactions contemplated hereby, including the O&M Plan of Exchange;

(c) the opinion of Hunton & Williams, counsel to O&M, substantially to the effect set forth in Exhibit E attached hereto, together with such additional opinions as SMI may reasonably request and subject to such assumptions and qualifications (including reliance on certificates of officers of O&M and O&M Holding and governmental officials and opinions of other counsel) as may be customary or reasonable under the circumstances;

(d) the Registration Rights Agreement; and

(e) a copy of the Amended and Restated Articles of Incorporation of O&M Holding, in the form in which the same has been delivered to the Commonwealth of Virginia State Corporation Commission for filing, which shall reflect that the Series B Preferred Stock will be accorded substantially the same relative seniority and priority, and will be entitled to substantially the same rights, under such Amended and Restated Articles of Incorporation as if the Series B Preferred Stock were to be issued as an additional series of preferred stock of O&M under its articles of incorporation as in effect on the date of this Agreement.

ARTICLE VIII
Conditions Precedent to the Obligations of O&M and O&M Holding

The obligations of O&M and O&M Holding under this Agreement are subject, at the option of O&M and O&M Holding to the fulfillment at or prior to the Effective Time of each of the following conditions:

8.01 SMI and Shareholders Obligations. Each of SMI and the Shareholders shall have performed each obligation and covenant to be performed by each of

them hereunder on or prior to the Effective Time.

8.02 Accuracy of Representations and Warranties. The representations and warranties of SMI and the Shareholders set forth in this Agreement shall be true and correct in all material respects at and as of the Effective Time as if made at and as of such time, except (a) as explicitly permitted by this Agreement and (b) to the extent that any such representation or warranty is made as of a specified date, in which case such representation or warranty shall have been true and correct as of such date.

8.03 Consents and Approvals. O&M shall have received, each in form and substance satisfactory to O&M, all authorizations, consents, orders and approvals of all governmental authorities and officials and all third party consents listed on Item 4.03 of the SMI Disclosure Schedule and Item 5.03 of the O&M Disclosure Schedule which O&M deems reasonably necessary for the consummation of the transactions contemplated by this Agreement, including without limitation, the consent of each of O&M's lenders and VHA to the transactions contemplated by this Agreement on terms reasonably satisfactory to O&M.

8.04 Court Orders. No preliminary or permanent injunction or other order, decree or filing issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission or statute, rule, regulation or executive order promulgated or enacted by any governmental authority shall be in effect which would (a) make the Exchanges or any of the transactions contemplated hereby illegal, (b) impose limitations on the ability of SMI or O&M to operate their businesses following the Exchanges other than a de minimus divestiture of SMI's or O&M's business or operations as provided in Section 6.04 hereof or (c) otherwise prevent the consummation of the Exchanges or the transactions contemplated hereby.

8.05 HSR Act. The waiting period (and any extensions thereof) under the HSR Act applicable to the SMI Exchange shall have expired or terminated.

8.06 Actions and Proceedings. No suit, action or proceeding before any court or any governmental or regulatory authority shall have been commenced and be pending by any person against SMI, the Shareholders, O&M or O&M Holding or any of their Affiliates, associates, officers or directors seeking to restrain, prevent, change or delay in any respect the transactions contemplated hereby, challenging any of the material terms or provisions of this Agreement or seeking damages in connection with the transactions contemplated hereby.

8.07 O&M Shareholder Vote. At O&M's Shareholders' Meeting, the holders of more than two-thirds of the issued and outstanding shares of O&M Common Stock shall have voted to approve this Agreement and the transactions contemplated hereby, including the O&M Plan of Exchange.

8.08 Opinion of J. P. Morgan. Before the Proxy Statement/Prospectus is mailed to the holders of O&M Common Stock, the Board of Directors of O&M shall have received from J. P. Morgan a written opinion addressed to it, in form and substance reasonably satisfactory to the Board of Directors of O&M

and its counsel, for inclusion in the Proxy Statement/Prospectus, and dated on or about the date thereof, substantially to the effect that the proposed consideration to be paid by O&M Holding pursuant to the SMI Exchange is fair to the holders of O&M Holding Common Stock and O&M Holding from a financial point of view, and J. P. Morgan shall not have withdrawn such opinion before the Effective Time.

8.09 Completion of Investigation. On or before the date the Proxy Statement/Prospectus is mailed to the holders of O&M Common Stock, O&M shall have completed to its reasonable satisfaction, as determined in good faith, a business and legal investigation of the matters set forth in the SMI Disclosure Schedule. SMI, the Shareholders, O&M and O&M Holding shall negotiate in good faith to resolve any issues disclosed in such

investigation.

8.10 VHA. O&M shall have received assurances from VHA that it does not intend to terminate or substantially reduce the volume of business under its contracts with SMI or O&M.

8.11 Opinion Concerning Certain Tax Matters. O&M shall have received the written opinion of Hunton & Williams to the effect that no gain will be recognized for federal income tax purposes as a result of the Exchanges by SMI, O&M Holding, O&M or the holders of O&M Common Stock, and that the basis of holders of O&M Common Stock in the O&M Holding Common Stock received in the O&M Exchange will be the same as the basis of the O&M Common Stock exchanged therefor.

8.12 Title to Real Property. O&M shall have received evidence that SMI has an owner's title insurance policy in an amount reasonably satisfactory to O&M insuring that SMI has good and marketable title to the Real Property and

that the Real Property is free and clear of all liens, objections, charges, pledges and other encumbrances other than Permitted Liens.

8.13 Environmental Matters. O&M shall have received a copy of an environmental report prepared by environmental engineers or auditors selected by O&M and at O&M's expense containing information consistent with good commercial and engineering practices to the reasonable satisfaction of O&M that no environmental noncompliance or conditions exist on or with respect to the Real Property or the Leased Property that could result in liabilities in excess of $250,000.

8.14 Refinancing of SMI Indebtedness; Additional O&M Indebtedness. O&M Holding shall have received on or prior to the Effective Time proceeds of financings that are adequate, in the reasonable opinion of O&M Holding, for (a) the refinancing of SMI's indebtedness (other than any indebtedness incurred to make the $3,000,000 distribution described in Section 6.03(a)) and (b) the refinancing of O&M's existing bank loans and all additional financing necessary for the transactions contemplated hereby, all on terms reasonably satisfactory to O&M Holding.

8.15 Registration Statement. The registration statement of which the Proxy Statement/Prospectus constitutes a part shall have become effective and shall not be subject to any stop order issued by the SEC, and no action,

suit, proceeding or investigation by the SEC to suspend the effectiveness thereof shall have been initiated and be continuing, or shall have been threatened and be unresolved.

8.16 Deliveries at Closing. SMI and the Shareholders shall have delivered to O&M and O&M Holding, each properly executed and dated as of the date of Closing:

(a) a certificate of the Chief Executive Officer and Chief Financial Officer of SMI to the effect that, to their Knowledge, the conditions specified in Sections 8.01 and 8.02 hereof have been fulfilled;

(b) a certificate from each of the Shareholders to the effect that, to his Knowledge, the conditions specified in Sections 8.01 and 8.02 hereof have been fulfilled;

(c) certified resolutions duly adopted by SMI's Board of Directors approving the execution and delivery of this Agreement and consummation of the transactions contemplated hereby and certified resolutions duly adopted by the Shareholders approving the SMI Plan of Exchange and the transactions contemplated by this Agreement;

(d) the opinion of Cohen & Grigsby, P.C., counsel to SMI, substantially to the effect set forth in Exhibit F attached hereto, together with such additional opinions as O&M may reasonably request and subject to such assumptions and qualifications (including reliance on certificates of officers of SMI and governmental officials and opinions of other counsel) as may be customary or reasonable under the circumstances;

(e) the opinion of H. Vaughan Blaxter, III, or Russell W. Ayres, III, substantially to the effect set forth in Exhibit G attached hereto, together with such additional opinions as O&M may reasonably request and subject to such assumptions and qualifications (including reliance on certificates of Shareholders and governmental officials and opinions of other counsel) as may be customary or reasonable under the circumstances;

(f) the Registration Rights Agreement;

(g) releases executed by each of the Shareholders releasing SMI from any claim he may have against SMI with respect to all matters and dealings with SMI prior to the date of Closing;

(h) the releases referred to in Sections 6.13 and 6.14 hereof with respect to the Severance Agreements and the Phantom Stock Plans, respectively;

(i) the agreement between SMI and SMI Funding referred to in Section 6.15 hereof;

(j) estoppel certificates in a form reasonably satisfactory to O&M from each sublessee of Leased Property;

(k) an IRS Form W-9 completed and executed by each Shareholder;

and

(l) a statement executed by each Shareholder providing a good faith estimate of his or her adjusted basis for federal income tax purposes in the shares of SMI Common Stock owned by such Shareholder immediately before the Effective Time.

ARTICLE IX

Indemnification and Additional Agreements

9.01 The Shareholders' Indemnity.

(a) Each of the Shareholders hereby jointly and severally agrees to indemnify and hold O&M's Indemnitees harmless from and against, and agrees to defend promptly O&M's Indemnitees from and reimburse O&M's Indemnitees for, any and all losses, damages, costs, expenses, liabilities, obligations and claims of any kind, including, without limitation, reasonable attorneys' fees and other legal costs and expenses (hereinafter referred to collectively as "Losses"), that O&M's Indemnitees may at any time suffer or incur, or become subject to, as a result of or in connection with: (i) any breach or inaccuracy of any of the representations and warranties made by SMI or the Shareholders in or pursuant to this Agreement; (ii) any failure of SMI or any of the Shareholders to carry out, perform, satisfy and discharge any of its or his covenants, agreements, undertakings, liabilities or obligations under this Agreement or the Related Agreements or under any of the documents and instruments delivered by the Shareholders or SMI pursuant to this Agreement; (iii) the conduct of the business of SMI at any time before the Effective Time to the extent such activities result in any loss or liability (including tax obligations) that is not fully reflected on the Closing Balance Sheet or (except for the Specialty Litigation) the SMI Disclosure Schedules; provided, that, with respect to Losses related to the matters disclosed on Item 4.10A of the SMI Disclosure Schedule, the Shareholders shall indemnify O&M's Indemnitees for any amount by which the insurance deductible of SMI applicable to such matter exceeds the deductible, if any, provided for under O&M's insurance policy applicable to such a matter and in effect at the time of the occurrence of the event from which such Loss arose; (iv) any Specialty Litigation and any liability relating to or arising from the sale or other disposition or operation of any separate line of business formerly (but not now) conducted by SMI (whether as an unincorporated division or business function or as a subsidiary, direct or indirect), including without limitation Specialty and the former AIP division; (v) any Balance Sheet Deficiency; (vi) any costs, expenses or other liabilities incurred by SMI, O&M or O&M Holding resulting from the exercise by any holder of SMI Common Stock of dissenters' rights in connection with the transactions contemplated by this Agreement to the extent such costs, expenses or other liabilities exceed the sum of the cash consideration and the aggregate par value of the O&M Holding Preferred Stock to which such dissenting shareholder would have been entitled to pursuant to the SMI Plan of Exchange; (vii) the matter described on Item 4.10 of the SMI Disclosure Schedule with respect to the SMI 401(k) Plan, including but not limited to any costs of litigation with

respect to such matter and the failure of the SMI 401(k) Plan to qualify and continue to qualify as a Qualified Pension Plan as a consequence of such matter described on Item 4.10 of the SMI Disclosure Schedule or as a consequence of any other matter occurring prior to the Effective Time; (viii) any obligation under the Phantom Stock Plans in excess of the amount set forth in Section 9.14 hereof; (ix) the Severance Agreements; and (x) any and all obligations, expenses or liabilities incurred by SMI, O&M or O&M Holding relating to or arising out of the Sale and Administration Agreement or any other agreement relating thereto (other than the agreement to be entered into by SMI and SMI Funding pursuant to Section 6.15 hereof); provided, however, that O&M's Indemnitees shall have no right to be indemnified, held harmless from, defended or reimbursed under Section 9.01(a)(i) unless such right is asserted (whether or not such Losses have actually been incurred) within 24 months after the Effective Time, except there shall be no time limitation with respect to the representations set forth in Sections 4.01, 4.02, 4.04 and 4.20 hereof, and the time limit with respect to any matter covered by Section 4.21 hereof shall be 30 days after the expiration of the applicable statute of limitations with respect to such matter; and provided, further, that with respect to Losses related to item (vii) hereof, the term O&M's Indemnitees shall also include the SMI 401(k) Plan, the SMI 401(k) Plan's trust, and the participants, beneficiaries and alternate payees of the SMI 401(k) Plan (other than participants who have been trustees of the SMI 401(k) Plan and beneficiaries and alternate payees of participants who have been trustees of the SMI 401(k) Plan). Notwithstanding the foregoing, the Shareholders shall not be required to indemnify O&M's Indemnitees under Section 9.01(a)(i), (ii), (iii) and (v) unless and until the amount of all Losses (without regard to any potential tax benefits) for which indemnification is sought with respect thereto shall exceed $1,000,000 and then only to the extent and in the amount of such excess.

(b) In the event a claim against O&M's Indemnitees arises that is covered by the indemnity provisions of Section 9.01(a) hereof, notice shall be given promptly by O&M Holding to the Shareholders' Representative. Provided that the Shareholders' Representative admits in writing to O&M Holding that such claim is covered by the indemnity provisions of Section 9.01(a) hereof, the Shareholders' Representative shall have the right to contest and defend by all appropriate legal proceedings such claim and to control all settlements (unless O&M Holding agrees to assume the cost of settlement and to forgo such indemnity) and to select lead counsel to defend any and all such claims at the sole cost and expense of the Shareholders; provided, however, that the Shareholders' Representative may not effect any settlement that could result in any cost, expense or liability to the O&M Indemnities unless O&M Holding consents in writing to such settlement and the Shareholders' Representative agrees to indemnify the O&M Indemnitees therefor. O&M Holding may select counsel to participate in any defense assumed by the Shareholders, in which event such counsel shall be at O&M Holding's own cost and expense. In connection with any such claim, action or proceeding, the parties shall cooperate with each other and provide each other with access to relevant books and records in their possession.

9.02 O&M's Indemnity.

(a) Each of O&M Holding and O&M hereby agrees to indemnify and

hold Shareholders' Indemnitees harmless from and against, and agree to defend promptly Shareholders' Indemnitees from and reimburse Shareholders' Indemnitees for, any and all Losses that Shareholders' Indemnitees may at any time suffer or incur, or become subject to, as a result of or in connection with: (i) any breach or inaccuracy of any of the representations and warranties made by O&M in or pursuant to this Agreement; (ii) any failure by O&M to carry out, perform, satisfy and discharge any of its covenants, agreements, undertakings, liabilities or obligations under this Agreement or the Related Agreements and (iii) the conduct by SMI, O&M or O&M Holding of the business of SMI after the Effective Time other than with respect to facts, circumstances or conditions existing as of the Effective Time; provided, however, that Shareholders' Indemnitees shall have no right to be indemnified, held harmless from, defended or reimbursed under Section 9.02(a)(i) unless such right is asserted (whether or not such Losses have actually been incurred) within 24 months after the Effective Time, except there shall be no time limitation with respect to the representations set forth in Sections 5.01 and 5.02 hereof. Notwithstanding the foregoing, O&M and O&M Holding shall not be required to indemnify Shareholders' Indemnitees under this Section 9.02 unless and until the amount of all Losses (without regard to any potential tax benefits) for which indemnification is sought with respect thereto shall exceed $1,000,000 and then only to the extent and in the amount of such excess.

(b) In the event a claim against Shareholders' Indemnitees arises that is covered by the indemnity provisions of Section 9.02(a) hereof, notice shall be given promptly by the Shareholders' Representative to O&M Holding. Provided that O&M Holding admits in writing to the Shareholders' Representative that such claim is covered by the indemnity provisions of Section 9.02(a) hereof, O&M Holding shall have the right to contest and defend by all appropriate legal proceedings such claim and to control all settlements (unless the Shareholders' Representative agrees to assume the cost of settlement and to forgo such indemnity) and to select lead counsel to defend any and all such claims at the sole cost and expense of O&M Holding; provided, however, that O&M Holding may not effect any settlement that could result in any cost, expense or liability to the Shareholders unless the Shareholders' Representative consents in writing to such settlement and O&M Holding agrees to indemnify the Shareholders therefor. The Shareholders' Representative may select counsel to participate on behalf of the Shareholders in any defense assumed by O&M Holding, in which event the Shareholders' counsel shall be at their own cost and expense. In connection with any such claim, action or proceeding, the parties shall cooperate with each other and provide each other with access to relevant books and records in their possession.

9.03 Acquisition for Investment; Transfer Limitations. Each of the Shareholders represents and warrants to O&M Holding that he is an "accredited investor", as defined in Rule 501 under the Securities Act, his respective shares of O&M Holding Preferred Stock are being acquired in the SMI Exchange for investment purposes and not with a view toward any resale or any

distribution thereof. No Shareholder may Transfer shares of the O&M Holding Preferred Stock; provided, however, a Shareholder may Transfer O&M Holding Preferred Stock (a) by a gift, (b) by descent or distribution, (c) to beneficiaries pursuant to a trust existing as of the date hereof and (d) to a Shareholder if, in any such case, the transferee (other than a charitable institution holding less than 1% of the O&M Holding Common Stock) expressly agrees in writing to be bound by the terms of Sections 9.03, 9.04, 9.05 and 9.06 hereof. Each Shareholder may only Transfer shares of O&M Holding Common Stock in compliance with this Section and Section 9.04 hereof and the Securities Act. Each Shareholder acknowledges that the shares of O&M Holding Preferred Stock (and the shares of O&M Holding Common Stock received upon conversion thereof) will be issued pursuant to an exemption from registration under the Securities Act, and the certificates representing such shares will bear a legend indicating that they have not been registered under the Securities Act and may not be Transferred by such Shareholder, except, in the case of the O&M Holding Common Stock, in compliance with this Agreement and pursuant to an effective registration statement or pursuant to an exemption from registration. In the event a Shareholder determines to Transfer any shares of O&M Holding Common Stock pursuant to an exemption from registration under the Securities Act, such Shareholder will, prior to Transferring such shares, cause counsel selected by such Shareholder but satisfactory to O&M Holding to deliver an opinion to O&M Holding to the effect that the Transfer of such shares is exempt from the registration provisions of the Securities Act or, in the case of a transfer permitted by Rule 144, such Shareholder will provide evidence satisfactory to O&M Holding that the Transfer of such shares is exempt from the registration provisions of the Securities Act.

9.04 Right of First Refusal.

(a) In the event that any Shareholder desires to Transfer to any third party any shares of O&M Holding Common Stock as permitted by Section 9.03 hereof, he shall give O&M Holding notice ("Notice of Transfer") of his bona fide intent to sell such shares of O&M Holding Common Stock, specifying (i) the number of shares to be Transferred, (ii) the prospective purchasers thereof, (iii) the minimum price and other terms and conditions of such Transfer, and offering to Transfer such shares of O&M Holding Common Stock to O&M or its designee(s) at such minimum price and on such terms and conditions. The Notice of Transfer shall be accompanied by a copy of the offer from such third party.

(b) If O&M Holding or its designee(s) shall not within 30 days after receipt of the Notice of Transfer accept such offer in writing with respect to all the shares of O&M Holding Common Stock specified in such notice, then, subject to the provisions of paragraphs (c) and (e) hereof,

such Shareholder may Transfer such shares to the prospective purchasers specified in such Notice of Transfer at a price equal to or above the minimum

price and on other terms and conditions no less favorable to such Shareholder than those specified in the Notice of Transfer, at any time within 60 days of the expiration of such 30-day period, but not otherwise.

(c) If such Shareholder shall not have consummated the proposed Transfer within 60 days after the expiration of the 30-day period referred to in paragraph (b) above, then he may not Transfer such shares of O&M Holding Common Stock without again complying with the provisions of this Section 9.04.

(d) If O&M Holding or its designee(s) shall accept such offer within 30 days after the receipt of the Notice of Transfer pursuant to paragraph (b) above, then O&M Holding or its designee(s) shall purchase the shares of O&M Holding Common Stock specified in such notice as promptly as is reasonably practicable, but in no event later than 60 days following such acceptance.

(e) Notwithstanding any other provision in this Section 9.04, each Shareholder agrees that he will not, without the prior written consent of O&M Holding, knowingly Transfer any shares of O&M Holding Common Stock to a competitor of O&M Holding (including any officer, director, employee, shareholder or Affiliate of such competitor) or to any person (including such person's Affiliates and any person or entity which is, to his Knowledge after inquiry of O&M Holding, part of any group which includes such transferee or any of its Affiliates) that, after giving effect to such Transfer, would beneficially own 5% or more of the issued and outstanding shares of O&M Holding Common Stock unless the transferee agrees to be bound by Sections 9.03, 9.04, 9.05 and 9.06 hereof.

(f) Notwithstanding any provision to the contrary in this Section 9.04, a Shareholder may Transfer O&M Holding Common Stock without complying with the provisions of this Section 9.04 (i) by a gift, (ii) by descent or distribution, (iii) to beneficiaries pursuant to a trust existing as of the date hereof, or (iv) to a Shareholder; provided, that, in any such case, the transferee (other than a charitable institution holding less than 1% of the O&M Holding Common Stock) expressly agrees in writing to be bound by the terms of Sections 9.03, 9.04, 9.05 and 9.06 hereof and O&M is given prior written notice of such Transfer.

9.05 Standstill. Each Shareholder agrees that so long as (i) he owns any shares of O&M Holding Preferred Stock or (ii) the Shareholders, collectively with their respective Affiliates, own 5% or more of the issued and outstanding shares of O&M Holding Common Stock, without the prior written consent of O&M Holding, he will not and will cause his Affiliates not to:

(a) acquire, offer to acquire or agree to acquire, directly or indirectly, by purchase or otherwise, or initiate contact with any person with the intent to advise, encourage or assist such or any other person to purchase or acquire in any manner shares of any class of capital stock of O&M Holding ("O&M Holding Capital Stock"), or participate with or provide assistance to any person in the purchase or other acquisition of O&M Holding Capital Stock;

(b) form, join or in any way participate in a "group" within the meaning of Section 13(d)(3) of the Exchange Act with respect to O&M Holding Capital Stock, except insofar as such group consists solely of the Shareholders;

(c) "solicit" proxies with respect to O&M Holding Capital Stock under any circumstance; or become a "participant" by taking a position contrary to that of the Board of Directors of O&M Holding in any contest relating to the election of directors of O&M Holding or any other matters submitted to shareholders at an annual meeting or any special meeting (as such defined terms are used in Regulation 14A under the Act); a Shareholder shall be deemed to "solicit" or to be such a "participant" if he counsels or advises or otherwise provides assistance to any person who undertakes or makes such a "solicitation" or is such a "participant," but shall not, in any event, be deemed to "solicit" or to be such a "participant" by reason of exercise of his voting rights with respect to O&M Holding Capital Stock;

(d) deposit any O&M Holding Capital Stock, or any securities convertible into O&M Holding Capital Stock, in a voting trust, or subject any O&M Holding Capital Stock, or any securities convertible into O&M Holding Capital Stock, to a voting or similar agreement, other than as required by Section 9.06 hereof;

(e) directly or indirectly offer, sell, transfer, pledge or otherwise dispose of or encumber any O&M Holding Capital Stock, or any securities convertible into O&M Holding Capital Stock except, subject (in the cases described in clauses (i) and (ii) below) to prior compliance with the provisions of Section 9.04 hereof:

(i) sales of O&M Holding Capital Stock pursuant to an underwritten distribution to the public, registered under the Securities Act, in which the Shareholders use their best efforts and direct the underwriters to use their best efforts to effect as wide a distribution of such O&M Holding Capital Stock as reasonably practicable and to prevent any one person or group from purchasing through such offering a number of shares representing more than 2% of the total number of shares of all O&M Holding Capital Stock;

(ii) sales of O&M Holding Capital Stock in open market transactions pursuant to Rule 144 of the General Rules and Regulations under the Securities Act (provided that any such sale is in compliance with the requirements of paragraphs (c)(d)(e)(f) and (g) of such rule notwithstanding the provisions of paragraph (k) of such rule) and in accordance with Section 9.03 hereof;

(iii) a bona fide pledge of, or the granting of a security interest in, such O&M Holding Capital Stock to an institutional lender to secure a bona fide loan or guarantee, provided that the lender acknowledges in writing that it has received a copy of this Agreement and agrees that prior to making any offer to sell, sale, transfer or other disposition of such O&M Holding Capital Stock, whether upon foreclosure of such pledge or security interest or otherwise, such lender will give O&M the opportunity to purchase

such O&M Holding Capital Stock in the manner specified in Section 9.04 hereof; or

(iv) sales of O&M Holding Capital Stock to O&M Holding or to any person or group designated by O&M Holding; or

(f) initiate, commence or propose, or induce or attempt to induce or give encouragement to any other person to initiate, commence or propose, any tender or exchange offer for O&M Holding Capital Stock or any "affiliated transaction" (as that term is defined in Section 13.1-725 of the Code of Virginia, as in effect on the date of this Agreement, but with the phrase "any other Person" substituted for the phrase "any interested shareholder").

9.06 Voting Agreement. Each Shareholder agrees that, so long as (a) he owns any shares of O&M Holding Preferred Stock or (b) the Shareholders, collectively with their respective Affiliates, own 5% or more of the issued and outstanding shares of O&M Holding Common Stock, he shall vote all shares of O&M Holding Preferred Stock or O&M Holding Common Stock, as the case may be, with respect to each matter to be voted upon by the holders of such shares, in the same proportion as the votes cast on such matter by all other holders of the O&M Holding Common Stock (excluding for such purposes shares held by any person or "group" within the meaning of Section 13(d)(3) of the Exchange Act (other than any employee benefit plan of O&M Holding, O&M or the O&M Subsidiaries or any person holding shares for or pursuant to the terms of any such employee benefit plan) which beneficially owns 5% or more of the issued and outstanding shares of O&M Holding Common Stock); provided, however, that the provisions of this Section 9.06 shall not apply with respect to (a) any matter to be voted upon by holders of O&M Holding Capital Stock that would amend (i) the provisions of the Series B Preferred Stock or (ii) any other provisions of the Articles of Incorporation or Bylaws of O&M Holding if such amendment would affect adversely the relative rights or preferences thereof and (b) the election of any director who may be elected by the holders of O&M Holding Preferred Stock and any nominee to the Board of Directors of O&M Holding designated by the Shareholders' Representative in accordance with Section 9.09 hereof.

9.07 Noncompetition Covenant. Each of the Shareholders agrees that, except for his ownership of shares of O&M Holding Preferred Stock or O&M Holding Common Stock and without the prior written consent of O&M Holding, for a period of three years after the Effective Time (the "Noncompete Period"), he will not, directly or indirectly, either individually or as an employee, agent, partner, investor, shareholder, consultant or in any other capacity participate in or have a financial or other interest in any business in the United States (the "Noncompete Area") which is competitive with the business conducted by O&M, SMI or the O&M Subsidiaries as of the Effective Time; provided, however, that the foregoing shall not preclude the Shareholders or their respective Affiliates from owning in the aggregate, directly or indirectly, up to 5% of the issued and outstanding shares of any class of capital stock of a company, the stock of which is publicly traded on a national securities exchange or in the over-the-counter market. The parties acknowledge that the business conducted as of the date hereof by Specialty is not competitive with the business conducted by O&M, the O&M Subsidiaries or SMI.

If a judicial determination is made that any provision of this Section 9.07 constitutes an unreasonable or otherwise unenforceable restriction against the Shareholders, the provisions of this Section 9.07 shall be rendered void only to the extent that such judicial determination finds such provisions to be unreasonable or otherwise unenforceable. In this regard, the parties hereto hereby agree that any judicial authority construing this provision shall be empowered to sever any portion of the Noncompete Area or any prohibited business activity from the coverage of this Section 9.07 and to apply the provisions of this Section 9.07 to the remaining portion of the Noncompete Area or the remaining business activities not so severed by such judicial authority.

The Shareholders hereby agree that any remedy at law for any breach of the provisions contained in this Section 9.07 shall be inadequate and that O&M Holding shall be entitled to injunctive relief in addition to any other remedy it might have hereunder.

The running of the Noncompete Period shall be tolled during, and the Noncompete Period shall be extended by, any period of time during which any Shareholder violates the terms of this Section 9.07 as determined by a court of competent jurisdiction.

9.08 Tax Returns.

(a) O&M Holding and the Shareholders acknowledge that the status of SMI as an "S corporation" will be terminated by the SMI Exchange, that SMI's taxable year will end at the close of the day before the Effective Time (the "Last SMI Year"), that SMI's books shall be closed for income tax purposes as of the close of the Last SMI Year, and that a new taxable year for SMI will begin on the date of the Effective Time (the "First C Year"). The Shareholders shall cause to be prepared and timely filed (taking into account permitted extensions of the due date) all income tax returns of SMI for the Last SMI Year and, if not filed before the day of the Effective Time, SMI's preceding taxable year (e.g., IRS Form 1120S, Schedule K-1(1120S) and state income tax returns). A photocopy of each such tax return shall be furnished to O&M Holding at least 30 days before the due date (including any extensions) for filing the tax return. The Shareholders' Representative shall deliver to O&M Holding, with the photocopy of the proposed IRS Form 1120S for the Last SMI Year, a schedule updating the tax basis information provided by the Shareholders pursuant to Section 8.16(l) hereof. If O&M Holding disagrees with the amount or treatment of any item on any such return, O&M Holding shall notify the Shareholders' Representative, and O&M Holding and the Shareholders' Representative shall proceed in good faith to resolve any dispute regarding the return before the due date. All income tax returns filed after the date of the Effective Time for taxable years of SMI beginning before such date shall be based on the same tax accounting methods and elections as used for its taxable year immediately preceding the year of such return, except as otherwise required by law or as agreed upon by O&M Holding and the Shareholders' Representative.

(b) The Shareholders, O&M Holding and SMI will cooperate with each other to the extent reasonably required to facilitate the preparation and

timely filing of (i) any income tax return of SMI for its Last SMI Year, the preceding taxable year, or its First C Year and (ii) any tax information return, report, or statement with respect to the SMI Exchange.

9.09 Board Nominee. Commencing when and continuing for so long as the Shareholders, collectively, have the right to vote at least 5% of the outstanding shares of O&M Holding Common Stock, O&M Holding will exercise all authority under applicable law (subject to the fiduciary obligations of the Board of Directors of O&M Holding to O&M Holding's shareholders) to cause one nominee designated by the Shareholders' Representative and reasonably acceptable to the Board to be included in the slate of nominees recommended by such Board to O&M Holding's shareholders for election as directors at each annual meeting of shareholders of O&M Holding.

9.10 Financial Statements. The Shareholders shall cause E&Y to prepare and deliver to O&M Holding by February 28, 1994 audited balance sheets as of December 31, 1993 and 1992 and April 30, 1992 and 1991 and audited statements of income and cash flow for the year ended December 31, 1993, the fiscal years ended April 30, 1992 and 1991 and the eight months ended December 31, 1992 and any other financial statements of SMI and Midwest as may be required by Rule 3-05(b) of Regulation S-X of the SEC audited by E&Y that have not been delivered previously pursuant to Section 6.09 hereof.

9.11 Tax Status of Exchanges. O&M, O&M Holding, SMI and the Shareholders acknowledge that the Exchanges are intended to qualify as a transaction described in Section 351 of the Code and that the Exchanges are intended to be pursuant to a single plan for purposes of Section 351 of the Code and the regulations thereunder. O&M, O&M Holding, SMI and the Shareholders covenant that they will report the Exchanges in accordance with such intent for federal income tax purposes.

9.12 Shareholders' Representative. Each of the Shareholders hereby appoints C. G. Grefenstette or his designee (as appointed in writing), as the agent, proxy, and attorney-in-fact for the Shareholders for all purposes under this Agreement (including without limitation full power and authority to act on the Shareholders' behalf) (a) to consummate the transactions contemplated under this Agreement, (b) in the event of such consummation, to receive on behalf of the Shareholders each of such Shareholder's SMI Exchange Consideration, (c) to pay in accordance with Section 11.01 hereof the Shareholders' share of the transaction expenses, (d) to execute and deliver the Certificates and such further instruments of assignment as O&M Holding shall reasonably request, (e) to execute and deliver on behalf of the Shareholders any amendment to this Agreement, provided that such amendment does not change the definition or manner of calculating the SMI Exchange Consideration to be received by the holders of the SMI Common Stock or does not increase the Shareholders' liabilities in any material respect and does not alter Article IV hereof in a manner adverse to the Shareholders, and (f) to take all other actions to be taken by or on behalf of the Shareholders and exercise any and all rights which the Shareholders are permitted or required to do or exercise under this Agreement. The Shareholders' Representative shall not be liable to the Shareholders for any error in judgment for any act or step taken, or permitted to be taken, in good faith, or for doing anything in connection herewith, except for his own willful misconduct or gross

negligence. As between themselves and the Shareholders' Representative, the Shareholders, jointly and severally, agree to indemnify the Shareholders' Representative against, and hold the Shareholders' Representative harmless from, any and all losses, costs, damages, expenses, claims and attorneys' fees suffered or incurred by the Shareholders' Representative as a result of, in connection with, or arising from or out of, the acts or omissions of the Shareholders Representative in performance of, or pursuant to, this Agreement, except such acts or omissions as may result from the Shareholders' Representative's willful misconduct or gross negligence.

9.13 Books and Records. O&M Holding agrees to cooperate with and make available to the Shareholders during normal business hours, all books, records and information relating to SMI that are necessary or useful in connection with any tax inquiry, audit, investigation or dispute, any litigation or investigation or any other matter. The Shareholder(s) requesting any such books, records, information or employees shall bear all of the out-of-pocket costs and expenses (including, without limitation, attorneys' fees, but excluding reimbursement for salaries and employee benefits) reasonably incurred in connection with providing such books, records, information or employees.

9.14 Phantom Stock Plans. Immediately following the Effective Time, SMI shall pay to the participants in the Phantom Stock Plans an aggregate of $1,800,000 in satisfaction in full of SMI's obligations under such plan.

9.15 New York Stock Exchange Listing Application. O&M Holding agrees to use its best efforts to cause the shares of O&M Holding Common Stock issuable upon conversion of the O&M Preferred Stock to be listed on the New York Stock Exchange.

9.16 Midwest Accounts Receivable Guarantee.

(a) SMI shall have the right, at any time after the 150th day following the Effective Time, to assign to the Shareholders a face amount of Midwest Receivables (the "Assigned Receivables") equal to the uncollected portion of any Midwest Receivable included on the Closing Balance Sheet that has not been collected by SMI within 150 days after the Effective Time; provided, however, that prior to such reassignment, SMI shall use reasonable and customary efforts to collect such Midwest Receivables (which shall not require SMI to employ commercial collection agencies or file suit). SMI shall deliver to the Shareholders' Representative all documents that relate to the Assigned Receivables and any similar documents generated by SMI after the Effective Time. Upon receipt of a document from SMI transferring the Assigned Receivables to the Shareholders, the Shareholders shall have the joint and several obligation to promptly pay to SMI the face amount of the Assigned Receivables (less any reserve for the Midwest Receivables on the Closing Balance Sheet). SMI shall cooperate with the Shareholders in any reasonable collection efforts relating to the Assigned Receivables, including remitting to the Shareholders' Representative any proceeds received by SMI with respect to such Assigned Receivables.

(b) All payments on the relevant accounts received by SMI during

the period beginning at the Effective Time and ending on the 150th day following the Effective Time shall be allocated among the Midwest Receivables and the relevant accounts receivable arising after the Effective Time in the manner specified in the remittance advice accompanying such payment. If such allocation is not so specified in any remittance advice, SMI will contact the customer and request instructions as to how such payment should be allocated. If the customer then declines to give such instructions, the amount of such payment shall be applied against the oldest outstanding invoices.

ARTICLE X

Termination, Amendment and Waiver

10.01 Termination. This Agreement may be terminated and the Exchanges may be abandoned, by written notice promptly given to the other parties hereto, at any time prior to the Effective Time:

(a) By mutual written consent of SMI, the Shareholders, O&M and O&M Holding;

(b) By SMI and the Shareholders, if O&M enters into a definitive agreement with respect to (i) any acquisition or purchase of assets of, or any equity interest in, or any exchange offer, merger, consolidation, business combination, sale of all or substantially all of the assets, sale of securities, liquidation, dissolution or similar transactions involving O&M, or (ii) any acquisition by O&M of another corporation or other entity, in any such case in which the value of the aggregate consideration to be paid would exceed $100,000,000;

(c) By SMI and the Shareholders, if O&M fails to perform in any material respect any of its obligations under this Agreement;

(d) By SMI and the Shareholders, if there has been a material breach by O&M of any representation and warranty contained in this Agreement;

(e) By O&M and O&M Holding if there has been a material breach by SMI or the Shareholders of any representation and warranty contained in this Agreement except to the extent the material breach of such representation or warranty shall result in the indemnification therefor by the Shareholders pursuant to Section 9.01(a)(vii);

(f) By O&M and O&M Holding, if SMI or any of the Shareholders fails to perform in any material respect any of its obligations under this Agreement;

(g) By O&M or the Shareholders, if the O&M Exchange is not approved by the shareholders of O&M at the O&M Shareholders' Meeting; or

(h) By any of SMI, the Shareholders, O&M or O&M Holding, if the

Effective Time shall not have occurred on or before June 30, 1994.

10.02 Effect of Termination. In the event of the termination of this Agreement as provided in Section 10.01, this Agreement shall forthwith become void and there shall be no liability on the part of SMI, O&M or the Shareholders except as set forth in Sections 6.02, 10.03 and 11.02. Nothing herein shall relieve any party from liability for its breach of this Agreement, except to the extent that Section 11.02 hereof limits the amount of such liability under the circumstance specified therein.

10.03 Post-Termination Covenants.

(a) If this Agreement terminates for any reason pursuant to Section 10.01, no party hereto will utilize the fact that this Agreement has been terminated in order to disparage the commercial interests, including without limitation the customer, vendor and employee relationships, of the other. Each party agrees that, upon any breach of this covenant by either party, the aggrieved party shall be entitled to injunctive relief as well as damages.

(b) If this Agreement terminates for any reason pursuant to Section 10.01, for one year after such termination, neither SMI nor O&M nor any of their respective Affiliates shall solicit for employment any person currently employed by the other as long as such employee remains in the employ of the other party.

ARTICLE XI

General Provisions

11.01 Expenses. Except as provided below, the Shareholders each shall be responsible for the fees and expenses of SMI's and their respective counsel, accountants, and other expenses incident to the negotiation and preparation of this Agreement and consummation of the transactions contemplated hereby incurred after December 10, 1993. For purposes of this Section 11.01, (a) the fees and expenses of Cohen & Grigsby, Steptoe & Johnson or any other legal advisors to SMI or the Shareholders incident to the negotiation and preparation of this Agreement and the consummation of the transactions contemplated hereby, and (b) any fees and expenses of E&Y or any other accountants or financial advisors to SMI or the Shareholders, including preparation of the Closing Balance Sheet and the financials required by Sections 6.09 and 9.10 hereof (other than expenses up to a maximum of $216,000 related to the ordinary 1993 year-end audit conducted in accordance with GAAP which shall be borne by SMI) shall be the sole obligation of the Shareholders. For purposes of this Section 11.01, the fees and expenses of Hunton & Williams, KPMG, J.P. Morgan or any other legal or financial advisors to O&M Holding and O&M shall be the sole obligation of O&M Holding and O&M.

11.02 Break-up Fee. If this Agreement is terminated by SMI or the Shareholders pursuant to Section 10.01(d) hereof, then O&M shall pay to SMI as liquidated damages within ten days after the date of such termination $2,000,000 (by wire transfer of immediately available funds to an account designated by SMI for such purpose).

If this Agreement is terminated by O&M or O&M Holding pursuant to Section 10.01(e) hereof, then SMI shall pay to O&M as liquidated damages within ten days after the date of such termination $2,000,000 (by wire transfer of immediately available funds to an account designated by O&M for such purpose).

11.03 Publicity. Except to the extent otherwise expressly required by Law, prior to the Effective Time no party hereto shall make or cause to be made any news release or other public statement, including communications to employees, suppliers, distributors and customers of SMI or O&M, pertaining to the matters contemplated by this Agreement unless approved by SMI and O&M, which approval shall not be unreasonably withheld. Without limiting the foregoing, in all announcements, press releases, notices to customers, vendors, employees and other third parties, and in all other communications in which this Agreement and the transactions contemplated hereby are described by any party hereto, each of SMI and O&M will, and will instruct their directors, officers, employees, agents and other representatives to, characterize such transactions as a merger or a business combination of SMI and O&M.

11.04 Further Assurances. SMI, the Shareholders, O&M and O&M Holding each agree that at the request of the other parties hereto it will execute and deliver all such further assignments, endorsements and other documents and perform all such other acts and things as the other party may reasonably request to evidence the consummation of the transactions contemplated by this Agreement.

11.05 Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered personally or sent by certified mail, overnight mail, telecopier or telex to the parties at the following addresses or at such other addresses as shall be specified by the parties by like notice:

(a) if to SMI or the Shareholders:

C. G. Grefenstette

2000 Grant Building
Pittsburgh, PA 15219
(412) 338-3689
Telecopy: (412) 338-3696

with a copy to:

Cohen & Grigsby, P.C.
2900 CNG Tower
625 Liberty Avenue
Pittsburgh, PA 15222
(412) 391-3382
Attention: David J. Kalson
Telecopy: (412) 391-3382

(b) if to O&M or O&M Holding:

Owens & Minor, Inc.
4800 Cox Road
Glen Allen, VA 23060
(804) 747-9794
Attention: G. Gilmer Minor, III
Telecopy: (804) 747-9270

with a copy to:

Hunton & Williams
Riverfront Plaza, East Tower
951 East Byrd Street
Richmond, VA 23219-4074
(804) 788-8200
Attention: C. Porter Vaughan, III
Telecopy: (804) 788-8218

11.06 Descriptive Headings. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

11.07 Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each party hereto, and, except as provided in Section 9.01(a) hereof, nothing in this Agreement, express or implied, is intended to confer upon any other person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

11.08 Severability. If any of the provisions of this Agreement shall be declared by any court of competent jurisdiction illegal, void or unenforceable, the other provisions shall not be affected, but shall remain in full force and effect.

11.09 Miscellaneous. This Agreement (including the Schedules and Exhibits hereto and the certificates of the parties delivered in connection herewith and referred to herein) and the Related Agreements: (a) constitute the entire agreement and supersede all other prior agreements and undertakings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof; (b) may not be assigned; and (c) shall be governed in all respects, including validity, interpretation and effect, by the internal laws of the Commonwealth of Virginia (other than the SMI Plan of Exchange which shall be governed by the internal laws of the Commonwealth of Pennsylvania), without giving effect to the principles of conflict of laws thereof.

11.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

11.11 Amendment. This Agreement may not be amended except by an instrument in writing signed on behalf of all of the parties hereto.

11.12 Waiver. At any time prior to the Effective Time, any party hereto may extend the time for the performance of any of the obligations or

other acts of any other parties hereto or waive compliance with any of the agreements of any other party or with any conditions to its own obligations.

Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

11.13 Remedies. The Shareholders acknowledge and agree that O&M would be irreparably damaged in the event any of the provisions of Sections 9.03 through 9.07 were violated or not performed by the Shareholders in accordance with their specific terms or were otherwise breached. It is accordingly agreed that O&M shall be entitled to an injunction or injunctions to prevent breaches of such Sections and to specifically enforce such Sections and the terms and provisions thereof in any action instituted in any court of the United States or any state thereof having subject matter jurisdiction, in addition to any other remedy to which O&M may be entitled, at law or in equity.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by SMI, O&M and the O&M Holding, by their respective officers thereunto duly authorized, and by each of the Shareholders.

STUART MEDICAL, INC.

By: _____
Mark J. Laskow
Title: Chairman of the Board of Directors

OWENS & MINOR, INC.

By: _____
G. Gilmer Minor, III
Title: President and Chief Executive Officer

OMI HOLDING, INC.

By: _____
G. Gilmer Minor, III
Title: President

Henry L. Hillman, Elsie H. Hillman and C. G.

Grefenstette, Trustees under the Henry L. Hillman Trust under agreement of trust dated November 18, 1985

By_____
Trustee

_____
Juliet Lea Hillman Simonds

_____
Audrey Hillman Fisher

_____
Henry L. Hillman, Jr.

_____
William T. Hillman

_____
Howard B. Hillman

_____
Tatnall L. Hillman

Exhibit A

PLAN OF EXCHANGE OF
SHARES OF OWENS & MINOR, INC.
FOR SHARES OF OMI HOLDING, INC.

Section 1. Parties to the Exchange

The name of the corporation proposing to exchange its shares is Owens & Minor, Inc. ("O&M"), a Virginia corporation. The name of the corporation that is to acquire all outstanding shares of O&M is OMI HOLDING, INC. ("Holding Company"), a Virginia corporation.

Section 2. Exchange of Shares

Upon the effective time specified in Articles of Exchange filed with respect to this Plan of Exchange with the State Corporation Commission of Virginia (the "Effective Time"), by virtue of this Plan of Exchange and without any action on the part of the holders thereof:

(a) Each outstanding share of common stock, $2 par value, of O&M shall automatically be converted into and exchanged for one share of common stock, $2 par value, of Holding Company;

(b) Each right outstanding to acquire a share of common stock, $2 par value, of O&M, whether by stock option, conversion right or otherwise, shall automatically be converted into and exchanged for the right to acquire a share of common stock, $2 par value, of Holding Company;

(c) Each right outstanding to acquire a share of Series A Participating Preferred Stock, $10 par value, of O&M shall automatically be converted into and exchanged for the right to acquire a share of Series A Participating Preferred Stock, $100 par value, of Holding Company;

(d) Holding Company shall become the owner and holder of all outstanding shares of common stock, $2 par value, of O&M; and

(e) Each outstanding share of common stock, $2 par value, of Holding Company outstanding immediately prior to the Effective Time shall be cancelled and converted into the right to receive $10 from Holding Company.

Section 3. Certificates Representing Common Stock

At the Effective Time, each certificate evidencing ownership of outstanding shares of common stock, $2 par value, of O&M shall automatically and without any action on the part of the holder thereof be deemed to evidence an identical number of shares of common stock, $2 par value, of Holding Company.

Section 4. Amendment or Termination

With the approval of their respective Board of Directors, the parties hereto may amend this Plan of Exchange before the Effective Time, provided that any amendment made subsequent to the submission of this Plan of Exchange to the shareholders of the parties hereto shall not:

(a) alter or change the amount or kind of shares, securities, cash, property or rights to be received in exchange for or on conversion of all or any of the shares of any class or series of such corporation;

(b) alter or change any of the terms and conditions of the plan if such alteration or change would adversely affect the shares of any class or series of such corporation; or

(c) alter or change any terms of the Articles of Incorporation of any corporation whose shareholders must approve this Plan of Exchange.

This Plan of Exchange may be terminated before the Effective Time by the affirmative vote of a majority of the members of O&M's Board of Directors whether or not the holders of common stock, $2 par value, of O&M have cast their votes with regard to the exchange.

Exhibit B

REGISTRATION RIGHTS AGREEMENT

Dated _____, 1994

by and among

OMI HOLDING, INC.

and

Certain Former Shareholders of

STUART MEDICAL, INC.

REGISTRATION RIGHTS AGREEMENT

THIS AGREEMENT, entered into this _____ day of _____, 1994, by and among OMI Holding, Inc., a Virginia corporation (the "Company"), and the Shareholders designated on the signature pages hereof (individually a "Shareholder" and collectively the "Shareholders").

W I T N E S S E T H:

WHEREAS, the Company, the Shareholders, Stuart Medical, Inc., a Pennsylvania corporation ("SMI"), and Owens & Minor, Inc., a Virginia corporation, have entered into an Agreement of Exchange, dated as of December 22, 1993 (the "Agreement of Exchange"), pursuant to which shares of Series B Preferred Stock, par value $100 per share, of the Company (the "Preferred Stock") will be issued to the Shareholders pursuant to a plan of exchange (the "Exchange");

WHEREAS, the shares of Preferred Stock, as a class, are convertible at any time into shares of Common Stock, par value $2.00 per share, of the Company (the "Common Stock"); and

WHEREAS, it is a condition to the obligations of the parties to the

Agreement of Exchange to consummate the transactions contemplated thereby that each of the Shareholders and the Company execute and deliver this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual terms and provisions hereof, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Definitions. For purposes of this Agreement, the following terms have the following respective meanings, and any capitalized terms used herein and not otherwise defined shall have the respective meanings given to them in the Agreement of Exchange.

(a) "Commission" shall mean the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

(b) "Demanding Person" shall have the meaning set forth in Section 3 hereof.

(c) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, or any similar federal statute enacted hereafter, and the rules and regulations of the Commission thereunder, all as the same shall be in effect from time to time.

(d) "Holder" or "Holders" shall mean one or more of the Shareholders (if the Shareholders hold Registrable Securities) and any other person holding Registrable Securities to whom these registration rights have been transferred pursuant to Section 12 of this Agreement; provided, however, that any person who acquires any of the Common Stock or Registrable Securities in a distribution pursuant to a registration statement filed by the Company under the Act or pursuant to a sale under Rule 144 under the Securities Act shall not be considered a Holder.

(e) "Option" shall have the meaning set forth in Section 4 hereof.

(f) The terms "register," "registered" and "registration" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act and the declaration or order of effectiveness of such registration statement by the Commission.

(g) "Registrable Securities" shall mean (i) the shares of Common Stock into which the shares of Preferred Stock issued in the Exchange are convertible and (ii) any Common Stock issued as a dividend or other distribution with respect to, or in exchange for or in replacement of, the Common Stock. For purposes of this Agreement, any shares of Preferred Stock, with respect to which such Holder has surrendered his certificates and given notice, satisfactory to the Company, of conversion subject to (x) the closing of an offering covered by a registration effected under this Agreement or (y) a purchase pursuant to Section 4 hereof, shall be deemed Registrable Securities.

(h) "Registration Period" shall mean the period commencing 18 months after the Effective Time and ending seven years after the Effective Time.

(i) "Securities Act" shall mean the Securities Act of 1933, as amended, or any similar federal statute enacted hereafter, and the rules and regulations of the Commission thereunder, all as the same shall be in effect from time to time.

2. Demand Registration. Subject to the other provisions of this Agreement, on two occasions during the Registration Period, if the Holders of at least fifty percent of the Registrable Securities request in writing to register under the Securities Act an offering of Registrable Securities, the reasonably anticipated price to the public (based on contemporaneous market prices of the Common Stock) of which equals or exceeds $50,000,000 (to be determined without reduction for any purchase of Registrable Securities by the Company pursuant to Section 4 hereof), the Company shall promptly notify in writing all other Holders of such request. Within 20 calendar days after such notice has been given by the Company, any other

Holder may give written notice to the Company of such Holder's request to include his Registrable Securities in the registration. As soon as practicable after the expiration of such 20-day period, subject to the provisions of Sections 4 and 6 hereof, the Company will use all reasonable efforts to cause the offering of all Registrable Securities that the Holders have so requested to be registered under the Securities Act; provided, however, that the Company shall not be required to effect a registration under this Section 2 unless such registration may be effected using Form S-3 (or other comparable short form registration statement that is a successor to Form S-3). The Company shall use its best efforts to meet the registrant requirements of Form S-3. If any registration requested under this Section 2 is not completed because the Company shall fail to comply in any material respect with any of its obligations in Section 5 with respect to the requested registration, the Holder's request to register the offering of Registrable Securities shall not be counted in determining the number of registrations to which the Holders are entitled pursuant to this Section 2.

3. Piggyback Registration. Subject to the other provisions of this Agreement, if at any time during the Registration Period the Company proposes to register any shares of Common Stock under the Securities Act for its own account or the account of holders of Common Stock who are not Holders (a "Demanding Person") in connection with the public offering of such securities solely for cash on a registration form that would also permit the registration of Registrable Securities (except pursuant to any registration statement relating solely to or in connection with (a) employee benefit plans of the Company or any of its affiliates, (b) an offering by the Company exclusively to its existing shareholders or (c) a Registration Statement on Form S-4 or other registration statement filed in connection with a merger, share exchange or other business combination), the Company shall, each such time, promptly give each Holder written notice of such proposal. Subject to the provisions of Sections 4 and 6 hereof, upon the written request of any Holder given within 20 days after such notice has been given by the Company, the Company shall use all reasonable efforts to cause to be included in such registration all Registrable Securities that each such Holder has requested to be registered.

4. Right to Purchase Stock. In the event that any Holders submit a request for Registration to the Company pursuant to Section 2 or 3 hereof, the Company (or any person or persons designated by the Company) shall have the right and option (an "Option") to purchase for cash all or any part of the Registrable Securities the Holders requested to be registered. An Option shall be exercised by the Company (or any person or persons designated by the Company) by giving notice to the selling Holders, within 30 days after receipt by the Company of the initial request for registration. The purchase price per share of Registrable Securities purchased pursuant to the exercise of the Option shall be the average of the closing prices of the Common Stock on the New York Stock Exchange on the 30 consecutive trading days preceding the date on which the Company exercises its Option to purchase the Registrable Securities. The closing of any such purchase shall take place on such date as shall be agreed upon by the parties but in no event later than 120 days after receipt by the Company of the request for registration. Upon exercise of the Option, the Company (or the person or persons designated by the Company) shall be legally obligated to consummate the purchase contemplated thereby and the registration request by the selling Holders pursuant to which the Company exercised the Option shall be counted for purposes of determining the number of registrations to which the Holders thereafter are entitled pursuant to Section 2.

5. Company Obligation in Connection with the Registrations. Whenever required by Sections 2 or 3 to use all reasonable efforts to effect the registration of any Registrable Securities, the Company shall:

(a) prepare and file with the Commission a registration statement on Form S-3 (or other comparable short form registration statement that is a successor to Form S-3) with respect to such Registrable Securities and use all reasonable efforts to cause such registration

statement to become effective;

(b) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by such registration statement;

(c) furnish to the selling Holders or their underwriter such number of copies of any prospectus (including any preliminary prospectus), and any amendments or supplements thereto, as the selling Holders may reasonably request in order to effect the offering and sale of the Registrable Securities to be offered and sold by such selling Holders;

(d) use its best efforts to qualify the offering under applicable blue sky laws or such other state securities laws as may be reasonably requested by and necessary to enable the selling Holders to offer and sell the Registrable Securities; provided, however, that the Company shall not be obligated to qualify as a foreign corporation to do business under the laws of any jurisdiction in which it is not then qualified, to subject itself to taxation in any such jurisdiction or to file any general consent to service of process;

(e) use its best efforts to cause the registration statement to remain current until the earlier of (i) 120 days following its effective date and (ii) the completion of the sale of the Registrable Securities being sold;

(f) instruct the transfer agent (or agents) and the registrar (or registrars) of the Company's securities to release any applicable stop transfer orders with respect to the Registrable Securities being sold;

(g) notify each selling Holder of Registrable Securities and the managing underwriter (i) when a prospectus or any prospectus supplement or amendment to a prospectus has been filed and, with respect to a registration statement or any post-effective amendment thereto, when the same has become effective and (ii) of the issuance by the Commission of any stop order suspending the effectiveness of a registration statement or the initiation of any proceedings for any such purpose; and

(h) promptly notify each selling Holder of such Registrable Securities at any time when a prospectus relating thereto is required to be delivered under the Securities Act upon the happening of any event as a result of which the prospectus included in such registration statement contains an untrue statement of a material fact or omits any fact necessary to make the statements therein not misleading, and the Company will prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus

will not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading.

6. Limitations, Conditions and Qualifications to Obligations of the Company. The obligations of the Company to use all reasonable efforts to cause Registrable Securities owned by the selling Holders to be registered are subject to each of the following limitations, conditions and qualifications:

(a) The Company shall be entitled to postpone for a reasonable period of time the filing of any registration statement otherwise required to be prepared and filed by it pursuant to Section 2 above, as follows:

(i) if, in the reasonable judgment of the Company, a registration at the time and on the terms requested would adversely affect any securities offering by the Company that had been formally proposed by the Company prior to the Company's receipt of notice by the Holders requesting registration, the Company shall not be required to commence using all reasonable efforts to effect a registration pursuant to Section 2 until the later of (A) 10 days after the completion or abandonment of such securities offering and related distribution and (B) the termination of any "black out", hold-out or lock-up period or the like, if any, required by any underwriters in connection with such securities offering; provided, however, that such delay shall not exceed 120 days; and provided further that the Holders requesting registration will not unreasonably withhold their consent to a request by the Company to extend such period; and

provided further that the Company may not invoke against any Holder the suspension of commencement of reasonable efforts to effect a registration pursuant to Section 2 by reason of a securities offering more than two times in any 12-month period; and

(ii) if, while a request for registration pursuant to Section 2 is pending, the Company determines in its reasonable judgment that (A) the filing of a registration statement would require the disclosure of material information which the Company has a bona fide business purpose for preserving as confidential, (B) that the Company would be unable to comply with Commission requirements, or (C) the filing of a registration statement would interfere with any material transaction of the Company then pending, the Company shall not be required to commence using all reasonable efforts to effect a registration pursuant to Section 2 until the earlier of (x) 10 days after the date upon which such material information is disclosed to the public or ceases to be material, the Company becomes able to comply with Commission requirements, or such registration would no longer interfere with a material transaction, as the case may be, or (y) 120 days after the Company makes such good faith determination; provided, however, that the Holders requesting registration will not unreasonably withhold their consent to a request by the Company to extend such period.

If the Company shall so postpone the filing of a registration statement, the selling Holders shall have the right to withdraw the request for registration by giving written notice to the Company within 30 days after the Company's notice of postponement (and, in the event of such withdrawal, such request shall not be counted for purposes of determining the number of registrations to which the Holders are entitled pursuant to Section 2).

(b) The selling Holders shall furnish to the Company such information regarding them, the Registrable Securities held by them, and the intended method of disposition of such securities as the Company shall reasonably request and as shall be required under the Securities Act or other applicable laws in connection with the action to be taken by the Company.

(c) In the event the Holders request registration pursuant to Section 2 above, (i) the offering or distribution of the Registrable Securities shall be pursuant to a firm commitment underwriting, (ii) the underwriter selected by the selling Holders shall be a nationally recognized investment banking firm approved by the Company (which approval shall not be unreasonably withheld) and (iii) the Company will, if requested, enter into an underwriting agreement containing representations, warranties and agreements (including an agreement with respect to contribution) not substantially different from those customarily made as of the date hereof by an issuer in underwriting agreements with respect to secondary distributions; provided, however, that except for the inclusion therein of an agreement with respect to contribution, the Company will not be obligated to enter into an agreement with respect to indemnification of the underwriters substantially different from that set forth in Section 8 below.

(d) In connection with any offering involving an underwriting of shares being issued by the Company, the Company shall not be required under Section 3 hereof to include any of the Holders' Registrable Securities in such underwriting unless the Holders accept the terms of the underwriting as agreed upon between the Company and the underwriters selected by the Company, and then only in such quantity as will not, in the opinion of the underwriters, materially impair the success of the offering by the Company. If the total amount of Registrable Securities that all Holders request to be included in such offering exceeds the amount of securities that the managing underwriter believes compatible with the success of the offering, the Company shall only be required to include in the offering so many of the securities of the selling Holders and the securities to be offered for the account of any other shareholders of the Company to be included in the offering as the underwriters believe will not materially impair the success of the offering (the securities so included to be apportioned pro rata

among the selling shareholders according to the total amount of securities owned by such selling shareholders, or in such other proportions as shall mutually be agreed to by such selling shareholders), provided that no such reduction shall be made with respect to any securities offered by the Company for its own account.

(e) In connection with any offering by a Demanding Person not involving an underwriting of shares being issued by the Company, the Company shall not be required under Section 3 hereof to include any of the Holders' Registrable Securities in such underwriting unless the Holders accept the terms of the underwriting as agreed upon between the Demanding Person, the Company and the underwriters selected by the Company or such Demanding Person and then only in such quantity as will not, in the opinion of the underwriters, materially impair the success of the offering by the Demanding Person. If the total amount of Registrable Securities that all Holders request to be included in such offering exceeds the amount of securities that the managing underwriter reasonably believes compatible with the success of the offering, the Company and the Demanding Person shall only be required to include in the offering so many of the securities of the selling Holders and the securities to be offered for the account of any other shareholders of the Company (other than the Demanding Person) to be included in the offering as the underwriters believe will not materially impair the success of the offering (the securities so included to be apportioned pro rata among the selling shareholders (other than the Demanding Person) according to the total amount of securities owned by such selling shareholders, or in such other proportions as shall mutually be agreed to by such selling shareholders), provided that no such reduction shall be made with respect to any securities offered by the Demanding Person.

7. Registration Expenses. (a) Except as required by the Commission, any other federal or state regulatory authority or the New York Stock Exchange, all expenses incurred in connection with a registration pursuant to Section 2 hereof (excluding underwriters' discounts and commissions), including without limitation all registration and qualification fees, printers' and accounting fees, and fees and disbursements of counsel for the Company shall be borne by the Company; provided, however, that the Company shall not be required to pay the fees and expenses of any separate counsel retained by the Holders; and provided, further, that the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 2 hereof if the registration request is subsequently withdrawn, unless the Holders agree to forfeit one of their rights to a demand registration pursuant to Section 2 hereof.

(b) In the case of any registration effected pursuant to Section 3 hereof, the Holders of Registrable Securities shall bear any additional registration and qualification fees and expenses (including underwriters' discounts and commissions), and any additional costs and disbursements of counsel for the Company that result from the inclusion of the Registrable Securities in such registration, with such additional expenses of the registration being borne by all selling Holders and other selling shareholders participating in such registration pro rata on the basis of the amount of securities so registered.

8. Indemnification.

(a) In the case of each registration effected by the Company pursuant to Section 2 or 3, the Company agrees to indemnify and hold harmless the selling Holders, their officers, directors, employees, representatives and agents, each underwriter of the Registrable Securities so registered and each person who controls any such person or underwriter within the meaning of Section 15 of the Securities Act, against any and all losses, claims, damages or liabilities to which they or any of them may become subject under the Securities Act or any other statute or common law, including any amount paid in settlement of any litigation, commenced or threatened, if such settlement is effected with the written consent of the Company, and to reimburse them for any reasonable legal or other expenses incurred by them in connection with investigating any claims and defending

any actions, insofar as any such losses, claims, damages, liabilities or actions arise out of or are based upon: (i) any untrue statement or alleged untrue statement of a material fact contained in the registration statement or prospectus relating to the sale of such Registrable Securities, or any post-effective amendment thereto, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; or (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, if used prior to the effective date of such registration statement, or contained in the final prospectus (as amended or supplemented if the Company shall have filed with the Commission any amendment thereof or supplement thereto) if used within the period during which the Company is required to keep the registration statement to which such prospectus relates current pursuant to this

Agreement, or the omission or alleged omission to state therein (if so used) a material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading; provided, however, that the indemnification agreement contained in this Section 8(a) shall not (i) apply to such losses, claims, damages, liabilities or actions arising out of, or based upon, any such untrue statement or alleged untrue statement, or any such omission or alleged omission, if such statement or omission was made in reliance upon and in conformity with information furnished to the Company by a Holder or such underwriter in writing specifically for use in connection with preparation of the registration statement, any preliminary prospectus or final prospectus contained in the registration statement, or any amendment or supplement thereto, or (ii) inure to the benefit of any underwriter or any person controlling such underwriter, if such underwriter failed to send or give a copy of the final prospectus to the person asserting the claim at or prior to the written confirmation of the sale of such Registrable Securities to such person and if the untrue statement or omission concerned had been corrected in such final prospectus.

(b) In the case of each registration effected by the Company pursuant to Section 2 or 3 hereof, each selling Holder agrees, and each underwriter of the Registrable Securities to be registered (each such party and such underwriters being referred to severally in this subparagraph (b) as the "indemnifying party") shall agree (in the case of the underwriters, to the extent customary at the time) to indemnify and hold harmless the Company, each person (if any) who controls the Company within the meaning of Section 15 of the Securities Act, the directors of the Company and those officers of the Company who shall have signed any such registration statement, against any and all losses, claims, damages or liabilities to which they or any of them may become subject under the Securities Act or any other statute or common law, including any amount paid in settlement of any litigation, commenced or threatened, if such settlement is effected with the written consent of the indemnifying party, and to reimburse them for any reasonable legal or other expenses incurred by them in connection with investigating any claims and defending any actions, insofar as any such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement in, or omission or alleged omission from, such registration statement or any post-effective amendment thereto or any preliminary prospectus or final prospectus (as amended or as supplemented, if amended or supplemented as aforesaid) contained in such registration statement, if such statement or omission was made in reliance upon and in conformity with information furnished to the Company by such indemnifying party in writing specifically for use in connection with the preparation of such registration statement or any preliminary prospectus or final prospectus contained in such registration statement or any such amendment or supplement thereto.

(c) Each indemnified party will, with reasonable promptness after its receipt of written notice of the commencement of any action against such indemnified party in respect of which indemnity may be sought from an indemnifying party on account of an indemnity agreement contained herein, notify the indemnifying party in writing of the commencement

thereof. In case any such action shall be brought against any indemnified party and it shall so notify an indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and to the extent it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof with counsel satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section 8 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. The indemnity agreements in this Section 8 shall be in addition to any liabilities which the indemnifying parties may have pursuant to law.

9. Reports Under Exchange Act. With a view to making available to the Holders of Registrable Securities the benefits of Rule 144 promulgated under the Securities Act and any other comparable rule or regulation of the Commission that is a successor to Rule 144 that may at any time permit a Holder to sell Registrable Securities of the Company to the public without registration, the Company agrees to use its best efforts to:

(a) make and keep public information available, as those terms are understood and defined in Rule 144;

(b) file with the Commission in a timely manner all reports and other documents required of the Company under the Exchange Act; and

(c) furnish upon request to any Holder, so long as such Holder owns any of the Registrable Securities, a written statement by the Company that it has complied with the reporting requirements of Rule 144, a copy of the most recent annual or quarterly report of the Company filed as required under the Exchange Act, and such other reports and documents so filed by the Company as may be reasonably requested in availing any Holder of any rule or regulation of the Commission permitting the sale of the Registrable Securities without registration.

10. Lockup Agreement.

(a) In consideration for the Company agreeing to its obligations under this Agreement, the Holders agree in connection with any registration of the Company's securities, upon the request of the Company or the underwriters managing any underwritten offering of the Company's securities, not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any Registrable Securities (other than Registrable Securities (i) included in the registration or (ii) transferred by (A) a gift, (B) by descent or distribution, (C) to beneficiaries pursuant to a trust existing as of the date of the Agreement of Exchange, or (D) to a Shareholder; provided, that, in any such case, the transferee (other than a charitable institution holding less than 1% of outstanding shares of Common Stock) expressly agrees in writing to be bound by the terms of this Section 10) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed one hundred eighty (180) days) from the effective date of such registration as the Company or the underwriters may specify.

(b) The Company agrees (i) not to effect any public sale or distribution of its equity securities, or any securities convertible into or exchangeable for such securities, during the seven days prior to and during the 180-day period (or such shorter period as the managing underwriters may specify) beginning on the effective date of any registration statement related to an underwritten offering pursuant to which Registrable Securities are to be sold (except as part of such underwritten registration or pursuant to employee benefit plans of the Company or any of its affiliates, an offering by the Company exclusively to its existing shareholders or a Registration Statement on Form S-4 or other registration statement filed in connection with a merger, share exchange or other business combination), unless the underwriters managing the

registered public offering otherwise agree and (ii) to use its best efforts to cause each holder of at least 5% (on a fully diluted basis) of its equity securities, or any securities convertible into or exchangeable or exercisable for such securities, purchased from the Company at any time after the date of this Agreement (other than a registered public offering) to agree not to effect any sale or distribution of any such securities during such period (except as part of such underwritten registration, if otherwise permitted), unless the underwriters managing the registered public offering otherwise agree.

11. Certain Limitations in Connection with Future Grants of Registration Rights.

(a) From and after the date of this Agreement, the Company shall not enter into any agreement with any holder or prospective holder of any securities of the Company providing for the granting to such holder of registration rights unless such agreement:

(i) includes the equivalent of Section 10 as a term; and

(ii) includes a provision that, in the case of a public offering involving an underwritten registered offering under Section 2 hereof, protects the Holders of Registrable Securities if marketing factors require a limitation on the number of securities to be included in the underwriting in the manner in which the Company is protected under Section 6(d); and

(b) If at any time on or after the date of this Agreement the Company shall enter into any agreement granting to any person rights to the registration of equity securities of the Company, it will include terms that preserve for the Holders the treatment provided in Sections 6(d) and (e) hereof.

12. Transfer of Registration Rights. Except as provided below, the registration rights provided by this Agreement may be assigned to a Holder's transferee, provided that (a) any such Transfer is permitted under the provisions of the Agreement of Exchange, (b) the Company is given written notice by the Holder at the time of such Transfer stating the name and address of the transferee and the number of Registrable Securities and shares of Preferred Stock being Transferred, (c) the transferee has agreed to be bound by the transfer restrictions set forth in the Agreement of Exchange and (d) after the Transfer, the transferee holds at least 100,000 shares of Registrable Securities. Notwithstanding the foregoing, the registration rights provided by this Agreement may not be assigned to any transferee in a distribution pursuant to a registration statement filed by the Company under the Securities Act or pursuant to a sale in accordance with Rule 144 under the Securities Act.

13. Suspension of Disposition of Registrable Securities. Each selling Holder of Registrable Securities agrees by acquisition of such Registrable Securities that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 5(h) hereof, such Holder will forthwith discontinue disposition of Registrable Securities until such Holder's receipt of copies of a supplemental or amended prospectus contemplated by Section 5(h) hereof, or until it is advised in writing (the "Advice") by the Company that the use of the prospectus may be resumed and has received copies of any additional or supplemental filings which are incorporated by reference in the prospectus, and, if so directed by the Company, such Holder will deliver to the Company (at the expense of the Company) all copies, other than permanent file copies then in such Holder's possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice. In

the event the Company shall give any such notice, the time period specified in Section 5(e) hereof shall be extended by the number of days during the

period from and including the date of the giving of such notice pursuant to Section 5(h) hereof to and including the date when each selling Holder of Registrable Securities shall have received the copies of the supplemented or amended prospectus contemplated by Section 5(h) hereof or the Advice.

14. Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given unless the Company has obtained the written consent of Holders of at least a majority of the Registrable Securities at the time outstanding.

15. Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand delivery, registered first-class mail, telex, telecopier, or air courier guaranteeing overnight delivery:

(a) if to a Holder, initially c/o C.G. Grefenstette, 2000 Grant Building, Pittsburgh, PA 15219 and thereafter at such other address set forth in a notice which is given in accordance with the provisions of this Section 14; and

(b) if to the Company, initially at 4800 Cox Road, Glen Allen, VA 23060, to the attention of its President, and thereafter at such other address, notice of which is given in accordance with the provisions of this Section 14.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five business days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt acknowledged, if telecopied; and on the next business day, if timely delivered to an air courier guaranteeing overnight delivery.

16. Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

17. Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

18. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

19. Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

20. Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the registration of the Registrable Securities. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted by the Company with respect to the Registrable Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

21. Parties Benefitted. Nothing in this Agreement, express or implied, is intended to confer upon any third party any rights, remedies, obligations or liabilities.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

OMI HOLDING, INC.

By:
G. Gilmer Minor, III
Title: President

NAMES OF SHAREHOLDERS:

Henry L. Hillman, Elsie H. Hillman and C. G. Grefenstette, Trustees under the Henry L. Hillman Trust under agreement of trust dated November 18, 1985

By

Trustee

Juliet Lea Hillman Simonds

Audrey Hillman Fisher

Henry L. Hillman, Jr.

William T. Hillman

Howard B. Hillman

Tatnall L. Hillman

Exhibit C

PLAN OF SHARE EXCHANGE
OF SHARES OF SERIES B PREFERRED
STOCK OF OMI HOLDING, INC.
FOR
SHARES OF COMMON STOCK OF
STUART MEDICAL, INC.

This Plan of Share Exchange ("Plan of Exchange") by and between STUART MEDICAL, INC., a Pennsylvania corporation ("SMI"), and OMI HOLDING, INC. ("OMI Holding"), a Virginia corporation.

RECITAL

1. Owens & Minor, Inc., OMI Holding, SMI and certain holders of the issued and outstanding Common Stock, $.0025 par value per share, of SMI ("SMI Common Stock") are parties to an Agreement of Exchange dated as of December 22, 1993 (the "Agreement of Exchange").

2. The respective Boards of Directors of SMI and OMI Holding have by resolution duly approved the Agreement of Exchange and this Plan of Exchange, and the Board of Directors of SMI has directed that this Plan of Exchange be submitted to its shareholders for adoption.

ARTICLE I

EFFECTIVE TIME

After filing of Articles of Exchange with the Department of State of the Commonwealth of Pennsylvania, at the effective time specified in such

Articles (the "Effective Time"), all of the issued and outstanding shares of SMI Common Stock shall, by operation of law, be converted into and exchanged for (the "Exchange") $40,200,000 in cash and 1,150,000 shares of Series B Preferred Stock, $100 par value per share, of OMI Holding ("OMI Holding Preferred Stock"), subject to adjustment for Dissenting Shares (as defined in Section 3.06 hereof) and fractional shares, all pursuant to the terms and conditions of this Plan of Exchange and of the Agreement of Exchange.

ARTICLE II

GENERAL EFFECTS OF THE EXCHANGE

The Exchange shall have the effects set forth herein and in Section 1931 of the Pennsylvania Business Corporation Law (the "BCL"). Pursuant to the Exchange, OMI Holding shall become the owner and holder of all of the outstanding shares of SMI Common Stock.

ARTICLE III

MANNER AND BASIS OF CONVERTING SHARES OF SMI; EXCHANGE PROCEDURES

Section 3.01 Effect on Shares. At the Effective Time, by virtue of the Exchange and without any action on the part of OMI Holding, SMI or any holder of capital stock of either of them:

(a) Exchange of Outstanding Shares. Each share of SMI Common Stock outstanding immediately prior to the Effective Time (except for Dissenting Shares) with respect to which an election to receive cash (a "Cash Election") has been made and not revoked ("Electing Shares"), and that has not been prorated pursuant to Section 3.03(c) hereof, shall be converted into and shall represent the right to receive the Cash Consideration (as defined in Section 3.02(b) hereof).

(b) Each share of SMI Common Stock outstanding immediately prior to the Effective Time, except Dissenting Shares and Electing Shares ("Non-Electing Shares"), shall be converted into and shall represent the right to receive that fraction of a share of OMI Holding Preferred Stock having a par value equal to the Preferred Stock Consideration (as defined in Section 3.02(c) hereof).

Section 3.02 Certain Definitions. (a) SMI shall obtain an opinion as to the aggregate fair market value of the OMI Holding Preferred Stock ("Aggregate Fair Market Value") as of a day that is not more than ten business days before the Effective Time. The term "Gross Valuation Amount" shall mean the sum of the Aggregate Fair Market Value plus $40,200,000.

(b) The term "Cash Consideration" shall mean the quotient of the Gross Valuation Amount divided by 2,000,000.

(c) The term "Preferred Stock Consideration" shall mean the result of the following formula:

$115,000,000 divided by [2,000,000 - ($40,200,000/Cash Consideration)]

Section 3.03 Elections. (a) Any holder of shares of SMI Common Stock may make a Cash Election for up to 75% of the outstanding shares of SMI Common Stock held by such holder. A form of election (the "Form of Election") shall be provided to each holder of SMI Common Stock as early as practicable before the Effective Time. Any such shareholder's Cash Election shall have been properly made only if OMI Holding shall have received, no later than 5:00 p.m. Eastern Time on the last business day before the Effective Time (the "Election Cutoff Time"), a Form of Election properly completed and signed and accompanied by certificates for the shares of SMI Common Stock to which such Form of Election relates, duly endorsed in blank or otherwise in form acceptable for transfer on the books of SMI.

(b) Any Form of Election may be revoked or amended only by written notice from the appropriate holder received by OMI Holding no later than the Election Cutoff Time.

(c) Anything in this Section 3.03 to the contrary notwithstanding, in the implementation of this Article III, OMI Holding shall make cash payments as nearly as practicable equal to but not less than $40,200,000 in the aggregate (the "Aggregate Cash Consideration"). In the event the product of the Cash Consideration multiplied by the number of Electing Shares exceeds the Aggregate Cash Consideration by more than $1,000, the Aggregate Cash Consideration shall be prorated among the number of Electing Shares to the end that the cash payments made by OMI Holding pursuant to Section 3.01 shall exceed by the smallest amount practicable the Aggregate Cash Consideration, and the remaining shares (or portions thereof) of Electing Shares shall be deemed to be shares (or portions thereof) of Non-Electing Shares and shall be converted into shares of OMI Holding Preferred Stock as provided in Section 3.01(b) hereof. In the event the product of the Cash Consideration multiplied by the number of Electing Shares is less than the Aggregate Cash Consideration, a number of Non-Electing Shares (determined pro rata among the total Non-Electing Shares) shall be deemed to be Electing Shares to the end that the cash payments made by OMI Holding pursuant to Section 3.01 shall equal or exceed by the smallest amount practicable the Aggregate Cash Consideration.

Section 3.04 Fractional Shares. No fractional shares of OMI Holding Preferred Stock shall be issued in the Exchange. Instead the number of shares of OMI Holding Preferred Stock that a holder of SMI Common Stock receives as a result of the Exchange shall be rounded to the nearest full share (with a fraction of .5 or greater being rounded to the next highest full share).

Section 3.05 Treasury Shares. Each share of SMI Common Stock held in the treasury of SMI immediately prior to the Effective Time shall be automatically cancelled and retired and cease to exist, and no cash or securities or other payment shall be paid or payable in respect thereof.

Section 3.06 Dissenting Shares. Notwithstanding anything in this Plan of Exchange to the contrary, shares of SMI Common Stock issued and outstanding immediately prior to the Effective Time that are held by a shareholder who objects to the Exchange and complies with all provisions of the BCL concerning the right of such holders to dissent from the Exchange and demand appraisal rights of their shares (the "Dissenting Shares") shall not be converted as described in Section 3.01 but shall from and after the Effective Time represent only the right to receive such consideration as may be determined to be due to such Dissenting Holder pursuant to the BCL; provided, however, that all shares of SMI Common Stock outstanding immediately prior to the Effective Time and held by a Dissenting Holder who shall, after the Effective Time, withdraw his demand for appraisal or lose his right of appraisal, in either case pursuant to the BCL, shall be deemed to be converted, as of the Effective Time, into the right to receive shares of OMI Holding Preferred Stock in the amount and otherwise as specified in Section 3.01(b), without interest.

Section 3.07 Exchange Procedures. At the Effective Time, OMI Holding shall make available to each holder of record of a certificate or certificates that immediately prior to the Effective Time represent outstanding shares of SMI Common Stock (the "Certificates") whose shares were converted into the right to receive the Cash Consideration or shares of OMI Holding Preferred Stock, or both, pursuant to Section 3.01 hereof, (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to OMI Holding and shall be in such form and have such other provisions as OMI Holding may reasonably specify) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for the Cash Consideration, certificates representing shares of OMI Holding Preferred Stock, or both, as the case may be. Upon surrender of a Certificate for cancellation to OMI Holding, together with such letter of transmittal, duly executed, and any other required documents, the holder of such Certificate shall be entitled to receive (subject to deduction of any required withholding tax) in exchange therefor a check in the amount of any Cash Consideration that such holder has the right to receive pursuant to this Article III and a certificate representing that number of shares of

OMI Holding Preferred Stock that such holder has the right to receive pursuant to the provisions of this Article III, and the Certificates so surrendered shall forthwith be cancelled. Until surrendered as contemplated by this Section 3.07, each Certificate shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender any Cash Consideration and the certificate representing shares of OMI Holding Preferred Stock as contemplated by this Section 3.07.

Section 3.08 Distributions with Respect to Unexchanged Shares. No dividends or other distributions declared or made after the Effective Time with respect to OMI Holding Preferred Stock with a record date after the Effective Time shall be paid to the holder of any unsurrendered Certificate with respect to the shares of OMI Holding Preferred Stock represented thereby until the holder of record of such Certificate shall surrender such Certificate. Subject to the effect of applicable laws, following surrender of any such Certificate, there shall be paid (subject to deduction of any required withholding tax) to the record holder of the certificates representing shares of OMI Holding Preferred Stock issued in exchange therefor, without interest, (i) any Cash Consideration to which such holder is entitled, (ii) at the time of such surrender, the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to such shares of OMI Holding Preferred Stock and (iii) at the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time but prior to surrender and a payment date subsequent to surrender, payable with respect to such shares of OMI Holding Preferred Stock.

ARTICLE IV

TERMINATION

This Plan of Exchange may be terminated and the Exchange contemplated hereby may be abandoned at any time (notwithstanding approval hereof by the shareholders of SMI) prior to the Effective Time if the Agreement of Exchange is terminated in accordance with its terms.

Exhibit D

6. Series B Preferred Stock. The second series of Cumulative Preferred Stock shall be designated "Series B Cumulative Preferred Stock" ("Series B Preferred Stock") and the number of shares constituting such series shall be 1,150,000. The preferences, limitations and relative rights of shares of Series B Preferred Stock shall be as follows:

(a) Dividends and Distributions.

(1) The holders of shares of Series B Preferred Stock, in preference to the holders of Common Stock and of any other capital stock of the Corporation ranking junior to the Series B Preferred Stock as to payment of dividends, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available therefor, a per annum cash dividend of $4.50 per share, and no more, payable in equal quarterly amounts of $1.125 each on the last day of each January, April, July and October of each year, beginning _____, 1994 (each such date being referred to herein as a "Quarterly Dividend Payment Date"), to holders of record on the fifteenth day of each such respective month, commencing on the first Quarterly Dividend Payment Date after the first issuance of a share of Series B Preferred Stock.

(2) Dividends shall begin to accrue and be cumulative on outstanding shares of Series B Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series B Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series B Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series B Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding.

(b) Voting Rights. The holders of shares of Series B Preferred Stock shall be entitled to vote on all matters submitted to a vote of the shareholders of the Corporation, voting together with the holders of shares of other series of the Preferred Stock entitled to vote thereon and the Common Stock as a single voting group. Each share of Series B Preferred Stock shall entitle the holder thereof to a number of votes equal to the number of shares of Common Stock into which such Series B Preferred share could be converted in accordance with Section 6(g) on the record date for determining the shareholders entitled to vote; it being understood that whenever the "Conversion Price" (as defined in Section 6(g)(1)) is adjusted as provided in Section 6(g)(5) the number of votes to which each share of Series B Preferred Stock is entitled shall also be similarly adjusted.

(c) Certain Restrictions.

(1) Whenever quarterly dividends or other dividends or distributions payable on Series B Preferred Stock as provided in Section 6(a) are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series B Preferred Stock outstanding shall have been paid in full, or declared and set apart for payment, the Corporation shall not:

(i) declare or pay or set apart for payment any dividends (other than dividends payable in shares of any class or classes of stock of the Corporation ranking junior to Series B Preferred Stock as to payment of dividends or warrants or rights to acquire such stock) or make any other distributions on, any class of stock of the Corporation ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to Series B Preferred Stock ("Junior Stock"), other than distributions of rights ("Rights") pursuant to the Rights Agreement, dated as of June 22, 1988, between Owens & Minor, Inc. and the rights agent thereunder, as heretofore amended and as it may be further amended, in accordance with it terms,

or replaced from time to time (such agreement, as so amended or replaced, being hereinafter referred to as the "Rights Agreement"), and shall not redeem, purchase or otherwise acquire, directly or indirectly, whether voluntarily, for a sinking fund, or otherwise any shares of Junior Stock, provided that, notwithstanding the foregoing, the Corporation may at any time redeem, purchase or otherwise acquire shares of Junior Stock in exchange for, or out of the net cash proceeds from the concurrent sale of, other shares of Junior Stock or warrants or rights to acquire Junior Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Preferred Stock ("Parity Stock"), except dividends paid or distributions made ratably on Series B Preferred Stock and all such Parity Stock on which dividends are payable or in arrears in proportion to the total amounts of such dividends to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any Parity Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any Parity Stock in exchange for shares of any Junior Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series B Preferred Stock, or any shares of Parity Stock, except as permitted by the Articles of Incorporation of the Corporation or in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates, the amount of dividends in arrears and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(2) Notwithstanding the foregoing, nothing in this Section 6(c) shall prevent the Corporation from (i) declaring a dividend or distribution of Rights or issuing Rights in connection with the issuance of Series B Preferred Stock, Junior Stock or Parity Stock, or (ii) redeeming Rights at a price not to exceed $.01 per Right.

(3) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (1) of Section 6(c),

purchase or otherwise acquire such shares at such time and in such manner.

(d) Reacquired Shares. Any shares of Series B Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

(e) Liquidation, Dissolution or Winding Up.

(1) Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior upon liquidation, dissolution or winding up to Series B Preferred Stock unless, prior thereto, the holders of shares of Series B Preferred Stock shall have received $100 per share, plus an amount equal to accrued and unpaid dividends thereon, whether or not declared, to the date of such payment, and no more (the "Series B Liquidation Preference").

(2) In the event, however, that there are not sufficient assets available to permit payment in full of the Series B Liquidation Preference and the liquidation preferences of all other series of Preferred Stock, if any, then such remaining assets shall be distributed ratably to the holders of all such shares in proportion to their respective liquidation preferences.

(f) Redemption. The outstanding shares of Series B Preferred Stock may be redeemed at the option of the Corporation as a whole or in part at any time on or after April 30, 1997, or from time to time thereafter, at a cash price per share equal to (i) the par value thereof, plus (ii) all accrued and unpaid dividends thereon, whether or not declared, to the redemption date; provided, however, that: (i) any such redemption made before April 30, 2004 may be made solely to the extent of the sum of (x) the net proceeds from the sale or issuance by the Corporation for cash from time to time after January 1, 1994 of shares of capital stock of the Corporation or any other securities convertible into, or exchangeable or exercisable for such capital stock, plus (y) the fair market value (as determined in good faith by the Board of Directors of the Corporation) of all such capital stock or other securities sold or issued by the Corporation from time to time after January 1, 1994 in exchange for other property (including, without limitation, any thereof issued in exchange for stock, securities or assets of other corporations or other entities); and (ii) any redemption in part may only be made if the aggregate market value (based on the average of the closing prices of the Common Stock on the New York Stock Exchange for the ten trading days immediately preceding the date the Redemption Notice (as defined below) is given) of the total number of shares of Common Stock into which the Series B Preferred Stock to be redeemed are at the time convertible pursuant to Section (g)(1) is at least $50,000,000.

Not less than 30 days nor more than 60 days prior to the date fixed by the Corporation for redemption (the "Redemption

Date"), written notice (the "Redemption Notice") shall be mailed by the Corporation, postage prepaid, to each holder of record of the Series B Preferred Stock at such holder's address as it appears on the stock transfer books of the Corporation. The Redemption Notice shall state:

(i) the total number of shares of Series B Preferred Stock to be redeemed;

(ii) the number of shares of Series B Preferred Stock held by the holder which the Corporation will redeem;

(iii) the Redemption Date and the redemption price;

(iv) the fact that the holder's conversion rights will continue until the close of business on the second business day preceding the Redemption Date;

(v) that the holder is to surrender to the Corporation, in the manner and at the place designated, his certificate or certificates representing the shares of Series B Preferred Stock to be redeemed; and

(vi) if the redemption is in part, the Corporation's calculations showing compliance with clause (ii) of the proviso in the first paragraph of this Section 6(f).

(g) Conversion.

(1) Subject to and upon compliance with the provisions of this Section (g), the holders of a majority of the shares of Series B Preferred Stock outstanding at the time shall have the right, at such holders' option and upon written notice to the Corporation, at any time to convert all of the outstanding shares of Series B Preferred Stock into the number of fully paid and nonassessable shares of Common Stock (calculated as to each conversion, for the purpose of determining the amount of any cash payments provided in Section (g)(4), to the nearest cent or to the nearest .01 of a share of Common Stock, as the case may be, with one-half cent and .005 of a share, respectively, being rounded upward), obtained by dividing $100 by the Conversion Price (as defined below) and multiplying such resulting number by the number of shares of Series B Preferred Stock to be converted. Such conversion shall be effective at the close of business on the first business day following the Corporation's receipt of such notice. Except as provided in paragraph (2), no shares of Series B Preferred Stock may be converted unless all outstanding

shares of Series B Preferred Stock are surrendered for conversion.

The term "Conversion Price" shall mean $24.735, as adjusted in accordance with the provisions of this Section (g).

(2) Notwithstanding the requirement of conversion in Section (g)(1), any shares of Series B Preferred Stock called for redemption may be converted at any time before the close of business on the second business day preceding the Redemption Date, without causing the conversion of any other shares. Upon any conversion pursuant to this Section (g)(2), the Corporation shall pay to the holder of Series B Preferred Stock so converted an amount in cash equal to all accrued and unpaid dividends on such shares to and including the date of conversion, whether or not declared (with such amount being pro rated with respect to the then current dividend period).

(3) In order to exercise the conversion privilege in the case of a conversion specified in Section (g)(2), or in order to receive certificates evidencing Common Stock issuable upon a conversion specified in Section (g)(1) or (g)(2), the holder of each share of Series B Preferred Stock to be converted, or so converted, as the case may be, shall surrender the certificate representing such share at the office of any transfer agent for the Common Stock and shall give written notice to the Corporation at such office that such holder elects to convert the same, specifying the name or names and denominations in which such holder wishes the certificate or certificates for the Common Stock to be issued (which notice may be in the form of a notice of election to convert which may be printed on the reverse side of the certificates for the shares of Series B Preferred Stock). Unless the shares issuable on conversion are to be issued in the same name as the name in which such share of Series B Preferred Stock is registered, each certificate evidencing shares surrendered for conversion shall be accompanied by instruments of transfer, in form satisfactory to the Corporation, duly executed by the holder or his duly authorized attorney, and by an amount in cash sufficient to pay any transfer or similar tax.

The holders of shares of Series B Preferred Stock at the close of business on a Quarterly Dividend Payment Date shall be entitled to receive any previously declared dividend payable on such shares on such date notwithstanding the Corporation's default in payment of the dividend due on such Quarterly Dividend Payment Date. Except as provided in Section (g)(2) and above in this Section (g)(3), and without limiting the effect of Section (g)(5)(b), the Corporation shall not be obligated to make any payment or allowance for unpaid dividends, whether or not in arrears, on converted shares or for dividends on the shares of Common Stock issued upon such conversion, payable in respect of any period before such conversion.

As promptly as practicable after the surrender of the certificates for shares of Series B Preferred Stock as provided above, the Corporation shall issue and shall deliver at the office of any transfer agent for the Common Stock to such holder, or on his written order, a certificate or certificates for the number of full shares of Common Stock issuable upon the conversion of such shares in accordance with the provisions of this Section (g), together with a certificate or certificates representing any shares of Series B Preferred Stock that are not to be converted but shall have constituted part of the shares of Series B Preferred Stock represented by the certificate or certificates so surrendered, and any fractional interest in respect of a share of Common Stock arising upon such conversion shall be settled as provided in Section (g)(4).

Each conversion shall be deemed to have been effected immediately prior to the close of business on the date on which the certificates for shares of Series B Preferred Stock shall have been surrendered and such notice received by the Corporation as provided above (or such later time as may be specified in such notice), and the person or persons in whose name or names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the shares represented thereby at such time on such date, and such conversion shall be at the Conversion Price in effect at such time on such date, unless the stock transfer books of the Corporation shall be closed on such date, in which event such person or persons shall be deemed to

have become such holder or holders of record at the close of business on the next succeeding day on which such stock transfer books are open, but such conversion shall be at the Conversion Price in effect on the date upon which such shares shall have been surrendered and such notice received by the Corporation. All shares of Common Stock delivered upon conversion of the shares of Series B Preferred Stock will upon delivery be duly and validly issued and fully paid and nonassessable, free of all liens and charges and not subject to any preemptive rights.

(4) No fractional shares or scrip representing fractions of shares of Common Stock shall be issued upon conversion of shares of Series B Preferred Stock. Instead of any fractional interest in a share of Common Stock that would otherwise be deliverable upon the conversion of a share of Series B Preferred Stock, the Corporation shall pay to the holder of such share of Series B Preferred Stock an amount in cash (computed to the nearest cent, with one-half cent being rounded upward) equal to the Conversion Price multiplied by the fraction of a share of Common Stock represented by such fractional interest. If more than one share of Series B Preferred Stock shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate Conversion Price of the shares of Series B Preferred Stock so surrendered.

(5) The Conversion Price shall be adjusted (and the other actions specified herein shall be taken) from time to time as follows:

(a) In case the Corporation shall (x) pay a dividend or make a distribution on the Common Stock in shares of Common Stock, (y) subdivide the outstanding Common Stock into a greater number of shares or (z) combine the outstanding Common Stock into a smaller number of shares, the Conversion Price shall be adjusted so that the holder of any share of Series B Preferred Stock thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock of the Corporation that he would have been entitled to receive after the happening of any of the events described above had such share been converted immediately prior to the record date, in the case of a dividend, or the effective date, in the case of subdivision or combination. An adjustment made pursuant to this subparagraph (a) shall become effective immediately after the record date in the case of a dividend, and shall become effective immediately after the effective date, in the case of a subdivision or combination.

(b) In case the Corporation shall distribute to holders of Common Stock generally any shares of capital stock of the Corporation (other than Common Stock) or evidences of its indebtedness or assets (excluding cash dividends or distributions paid from retained earnings or other legally permitted sources of the Corporation or dividends payable in Common Stock, but including any distribution of securities or other property pursuant to the Rights Agreement) or rights or warrants to subscribe for or purchase any of its securities including any rights issued at any time under the Rights Agreement (any of the foregoing being hereinafter in this subparagraph (b) called the "Securities"), then, in each such case, the Corporation shall make appropriate provisions to reserve an adequate

amount of such Securities for distribution to the holders of the shares of Series B Preferred Stock upon the conversion of the shares of Series B Preferred Stock so that any such holder converting shares of Series B Preferred Stock will receive upon such conversion, in addition to the shares of Common Stock to which such holder is entitled, the amount and kind of such Securities that such holder would have received if such holder had, immediately prior to the record date for the distribution of the Securities or the event that required the distribution of the Securities, as the case may be, converted its shares of Series B Preferred Stock into Common Stock.

(c) Whenever the Conversion Price is adjusted as herein provided, the Corporation shall prepare and retain at its principal office a certificate, signed by the Chairman of the Board, any Vice Chairman, the President, any Senior Vice President or any Vice President of the Corporation, setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment; provided, however, that the failure of the Corporation to prepare and retain such officer's certificate shall not invalidate any corporate action by the Corporation.

(6) Whenever the Conversion Price is adjusted as provided in subparagraph (c) of Section (g)(5), the Corporation shall cause to be mailed to each holder of shares of Series B Preferred Stock at his then registered address by first-class mail, postage prepaid, a notice of such adjustment of the Conversion Price setting forth such adjusted Conversion Price and the effective date of such adjusted Conversion Price; provided, however, that the failure of the Corporation to give such notice shall not invalidate any corporate action by the Corporation.

(7) The Corporation covenants that it will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued shares of Common Stock, for the purpose of effecting conversions of shares of Series B Preferred Stock, the full number of shares of Common Stock deliverable upon the conversion of all outstanding shares of Series B Preferred Stock not theretofore converted. For purposes of this Section (g)(7), the number of shares of Common Stock that shall be deliverable upon the conversion of all outstanding shares of Series B Preferred Stock shall be computed as if at the time of computation all such outstanding shares were held by a single holder.

(8) The Corporation will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock on conversions of shares of Series B Preferred Stock pursuant hereto; provided, however, that the Corporation shall not be required to pay any tax that may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock in a name other than that of the holder of shares of Series B Preferred Stock to be converted and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

(9) Notwithstanding any other provision herein to the contrary, if any of the following events occur: (i) any

reclassification or change of outstanding shares of Common Stock (other than a change in par value, or from par value to no par value or from no par value to par value, or as a result of subdivision or combination of the Common Stock), (ii) any consolidation, merger or combination of the Corporation with or into another corporation or a statutory share exchange as a result of which holders of Common Stock shall be entitled to receive stock, securities or other property or assets (including cash) with respect to or in exchange for such Common Stock, or (iii) any sale or conveyance of all or substantially all the properties and assets of the Corporation as, or substantially as, an entirety to any other entity as a result of which holders of Common Stock shall be entitled to receive stock, securities or other property or assets (including cash) with respect to or in exchange for such Common Stock, then appropriate provision shall be made so that the holder of each share of Series B Preferred Stock then outstanding shall have the right to convert such share into the kind and amount of shares of stock and other securities and property or assets that would have been receivable upon such reclassification, change, consolidation, merger, combination, exchange, sale or conveyance by a holder of the number of shares of Common Stock issuable upon conversion of such share of Series B Preferred Stock immediately prior to such reclassification, change, consolidation, merger, combination, exchange, sale or conveyance. If, in the case of any such consolidation, merger, combination, exchange, sale or conveyance, the stock or other securities and property receivable thereupon by a holder of shares of Common Stock includes shares of stock, securities or other property or assets (including cash) of an entity other than the successor or acquiring entity, as the case may be, in such consolidation, merger, combination, exchange, sale or conveyance, then the Corporation shall enter into an agreement with such other entity for the benefit of the holders of Series B Preferred Stock that shall contain such provisions to protect the interests of such holders as the Board of Directors of the Corporation shall reasonably consider necessary by reason of the foregoing.

(10) Upon any conversion of any shares of Series B Preferred Stock, the shares of Series B Preferred Stock so converted shall have the status of authorized and unissued shares of Preferred Stock, without designation as to series, until such shares are once more designated as part of a particular series by the Board of Directors of the Corporation.

(h) Mandatory Conversion. Except as provided in Section (g)(2), each share of Series B Preferred Stock shall be converted automatically into the number of shares of Common Stock determined as provided in Section (g)(1) immediately upon the conversion of shares of Series B Preferred Stock pursuant to such Section.

(i) Ranking. The Series B Preferred Stock shall rank on a parity with all other series of Preferred Stock as to the payment of dividends and the distribution of assets upon liquidation.

(j) Series B Director. (a) So long as any share of Series B Preferred Stock remains outstanding, the Series B Preferred Stock, voting as a separate voting group, shall be entitled to elect one member of the Board of Directors of the Corporation. Such director (the "Series B Director") shall be in addition to the number of Directors of the Corporation otherwise prescribed by the Articles of Incorporation or Bylaws. Such voting right of the holders of Series B Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph

(2) of this Section 6(j) or at any annual meeting of shareholders, and thereafter at annual meetings of shareholders,

(or by unanimous written consent in lieu of any such meeting) provided that such voting right at any such meeting may not be exercised unless the holders of ten percent (10%) in number of shares of Series B Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock at any such meeting shall not affect the exercise by the holders of Series B Preferred Stock of such voting right.

(b) Unless the holders of Series B Preferred Stock shall have previously exercised their right to elect the Series B Director, the Board of Directors may order, or any holder or holders owning in the aggregate not less than ten percent (10%) of the total number of shares of Series B Preferred Stock outstanding, may request, the calling of a special meeting of the holders of Series B Preferred Stock for the purpose of electing the Series B Director, which meeting shall thereupon be called by the Chairman, President, a Vice-President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Preferred Stock are entitled to vote pursuant to this Section 6(j) shall be given to each holder of record of Series B Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 10 days and not later than 60 days after such order or request. In the event such meeting is not called within 60 days after such order or request, such meeting may be called on similar notice by any holder or holders owning in the aggregate not less than ten percent (10%) of the total number of shares of Series B Preferred Stock outstanding. Notwithstanding the provisions of this 6(j), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the holders.

Immediately upon the retirement (whether upon redemption, conversion or otherwise), of all outstanding shares of the Series B Preferred Stock, (x) the right of the holders of Preferred Stock, as a separate voting group, to elect a Director shall cease, (y) the term of the Series B Director shall terminate, and (z) the number of Directors shall be such number as may then be provided for in, or pursuant to, the Articles of Incorporation or Bylaws.

(k) Amendment. The Articles of Incorporation shall not be further amended in any manner that would (i) amend this Section 6 or (ii) adversely affect the preferences, rights or powers of Series B Preferred Stock without the affirmative vote of the holders of a majority of the outstanding shares of Series B Preferred Stock, if any, voting separately as one voting group.

Exhibit E

Opinion of Hunton & Williams

(a) Each of OMI and Holding has been duly incorporated and is validly existing and in good standing under the laws of the Commonwealth of Virginia, with the corporate power and authority to own and to enter into the transactions contemplated by the Agreement of Exchange, and in the case of OMI Holding, the Agreement of Exchange and the Related Agreements to which it is a party.

(b) Each of OMI and OMI Holding, to our knowledge, is qualified to do business as a foreign corporation and is in good standing under the laws of each jurisdiction which requires such qualification wherein it owns or leases material properties except in such jurisdictions where the failure to be so qualified and in good standing would not individually or in the aggregate have a material adverse effect on the business, operations or financial condition of OMI and OMI Holding taken as a whole.

(c) The Agreement of Exchange has been duly authorized by all necessary corporate action and has been duly executed and delivered by OMI. The Agreement of Exchange constitutes the valid and binding obligation of OMI, enforceable against OMI in accordance with its terms, except as may be limited or otherwise affected by bankruptcy, insolvency, reorganization, fraudulent conveyance and other laws affecting the rights of creditors generally and principles of equity, whether considered at law or in equity.

(d) The Agreement of Exchange and the Registration Rights Agreement have been duly authorized by all necessary corporate action and has been duly executed and delivered by OMI Holding. Each of such agreements constitutes the valid and binding obligation of OMI Holding, enforceable against OMI Holding in accordance with its terms, except as may be limited or otherwise affected by bankruptcy, insolvency, reorganization, fraudulent conveyance and other laws affecting the rights of creditors generally and principles of equity, whether considered at law or in equity.

(e) Other than the filing of articles of exchange with the State Corporation Commission of Virginia, no further filing with or consent, approval, authorization or order of any court or governmental agency or body or official is required to be obtained on or prior to the date hereof in connection with the execution, delivery and performance of the Agreement of Exchange by OMI and OMI Holding, except that no opinion is expressed herein with respect to compliance with state securities laws.

(f) The OMI Holding Preferred Stock to be issued pursuant to the OMI Exchange has been duly authorized and when issued in accordance with the terms of the OMI Plan of Exchange will be validly issued, fully paid and nonassessable.

Exhibit F

Opinion of Cohen & Grigsby, P.C.

(g) SMI has been duly incorporated and is validly subsisting and in good standing under the laws of the Commonwealth of Pennsylvania, with the corporate power and authority to own its properties and conduct its business and to enter into the transactions contemplated by the Agreement

of Exchange.

(h) To our knowledge, SMI is qualified to do business as a foreign corporation and is in good standing under the laws of each jurisdiction which requires such qualification wherein it owns or leases material properties except in such jurisdictions where the failure to be so qualified and in good standing would not individually or in the aggregate have a material adverse effect on the business, operations or financial condition of SMI.

(i) The Agreement of Exchange has been duly authorized by all necessary corporate action and has been duly executed and delivered by SMI. Such agreement constitutes the valid and binding obligation of SMI, enforceable against SMI in accordance with its terms, except as may be limited or otherwise affected by bankruptcy, insolvency, reorganization, fraudulent conveyance and other laws affecting the rights of creditors generally and principles of equity, whether considered at law or in equity.

(j) Other than the filing of Articles of Exchange with the Secretary of State of the Commonwealth of Pennsylvania, no further filing with or consent, approval, authorization or order of any court or governmental agency or body or official is required to be obtained on or prior to the date hereof in connection with the execution, delivery and performance of the Agreement of Exchange by SMI (except that no opinion is expressed herein with respect to compliance with federal or state securities laws).

(k) The authorized capital stock of SMI consists of 10,000,000 shares of SMI Common Stock of which 2,000,000 shares are issued and outstanding. Such shares of SMI Common Stock have been duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights.

Exhibit G

Opinion of Counsel to Shareholders

(1) The Agreement of Exchange has been duly authorized by all necessary action and has been duly executed and delivered by each of the Shareholders. Such agreement constitutes the valid and binding obligation of each of the Shareholders, enforceable against each of the Shareholders in accordance with its terms, except as may be limited or otherwise affected by bankruptcy, insolvency, reorganization, fraudulent conveyance and other laws affecting the rights of creditors generally and principles of equity, whether considered at law or in equity.

(2) Other than the filing of Articles of Exchange with the Secretary of State of the Commonwealth of Pennsylvania, no further filing with or consent, approval, authorization or order of any court or governmental agency or body or official is required to be obtained on or prior to the date hereof in connection with the execution, delivery and performance of the Agreement of Exchange by each of the Shareholders (except that no opinion is expressed herein with respect to compliance with federal or state securities laws).

The Disclosure Schedules set forth on page viii of this Agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Registrant hereby undertakes to file supplementally with the Commission upon request a

copy of the omitted schedules.

$40,000,000

CREDIT AGREEMENT

Dated as of November 1, 1993

Among

OWENS & MINOR, INC.

CRESTAR BANK

and

NATIONSBANK OF VIRGINIA, N.A.

TABLE OF CONTENTS

CREDIT AGREEMENT

CREDIT AGREEMENT dated as of November 1, 1993, among OWENS & MINOR, INC. (the "Company"), a Virginia corporation, CRESTAR BANK ("Crestar"), a Virginia banking corporation, and NATIONSBANK OF VIRGINIA, N.A. ("NationsBank"), a national banking association, such banks being hereinafter referred to collectively as the "Banks".

RECITALS

The Company, Crestar and NationsBank of North Carolina, N.A. are parties to a Credit Agreement dated as of February 28, 1992 (the "Prior Credit Agreement") and wish to replace that agreement with a new agreement among the Company and the Banks, and the Banks are willing to extend credit to the Company in an aggregate principal amount up to $40,000,000 for the purposes of (i) refinancing the Company's obligations to Crestar and NationsBank of North Carolina, N.A. under the Prior Credit Agreement, and (ii) to provide working capital and funds for other proper corporate purposes; and

WHEREAS, the Banks are willing to extend such credit on the terms and subject to the conditions herein set forth,

NOW THEREFORE, in consideration of the mutual promises herein and for other valuable consideration, the parties agree as follows:

ARTICLE I

LOANS

SECTION 1.01. Commitment. Subject to the terms and conditions and relying upon the representations and warranties in Article III, each Bank, severally and not jointly, agrees to make Loans to the Company, from time to time at the Company's request, until the Commitment Termination Date, in an aggregate principal amount at any time outstanding not exceeding the amount of such Bank's Commitment. Within such limits, the Company may borrow, repay and reborrow on or after the date hereof and prior to the Commitment Termination Date, subject to the terms, provisions and limitations set forth herein. Nothing herein contained shall obligate the Company to borrow ratably from the Banks.

SECTION 1.02. Funding of the Loans. (a) Loans made by either Bank in any one borrowing shall be in a minimum aggregate principal amount of $1,000,000 and in an integral multiple of $500,000.

(b) Each Loan shall be, at the Company's election, either a CD Loan, a Eurodollar Loan, a Base Rate Loan or a Negotiated Rate Loan. Subject to the other provisions of this Section and the provisions of Section 1.09, Loans of more than one type may be outstanding at the same time.

(c) The Company shall give the lending Bank at least two Business Days' prior telephonic notice, in the case of a CD Loan, and at least three Business Days' prior telephonic notice, in the case of a Eurodollar Loan, of each borrowing under Section 1.01. In each case, such notice shall be irrevocable and shall specify the aggregate amount of the proposed borrowing and the date thereof (which shall be a Business Day, and in the event the date specified is not a Business Day the notice shall be deemed a request for a borrowing on the next succeeding Business Day). Such notice, to be effective, must be received by the lending Bank not later than 10:00 a.m., Richmond, Virginia, time, on the second Business Day prior to the date specified for a borrowing consisting of a CD Loan, and on the third Business Day prior to the date specified for a borrowing consisting of a Eurodollar Loan. Such notice shall specify whether the Loan then being requested is to be or be converted to (or what portion or portions thereof are to be or be converted to) a Base Rate Loan, a CD Loan, a Eurodollar Loan or a Negotiated Rate Loan and, if such Loan or any portion or portions thereof is to be a Eurodollar Loan, a CD Loan or a Negotiated Rate Loan, the Interest Period or Interest Periods with respect thereto. If no such pricing election is specified in the notice, such Loan (or the portion thereof as to which no election is specified) shall be a Base Rate Loan.

(d) Notwithstanding any provision in this Agreement to the contrary, the Company shall not in any notice of borrowing under this Section 1.02 request any Eurodollar Loan or CD Loan that, if made, would result in an aggregate of more than 5 separate Eurodollar Loans and CD Loans of the lending Bank being outstanding at any one time. For purposes of the foregoing, Loans having different Interest Periods, regardless of whether they commence or end on the same date, shall be considered separate Loans. The Company may continue any CD Loan or Eurodollar Loan, or convert all or any part of any Base Rate Loans, CD Loans or Eurodollar Loans into Loans or another type, in accordance with Section 1.10 and subject to the limitations set forth therein.

SECTION 1.03. Notes. The Loans by each Bank and the Company's obligation to repay the Loans with interest in accordance with this Agreement shall be evidenced by this Agreement, the records of such Bank and a Note, substantially in the form of Exhibit A hereto, dated the Closing Date, payable to the order of the Bank in a principal amount equal to the Commitment of such Bank. Each Note shall bear interest from its

date on the outstanding principal balance thereof in accordance with Section 1.05. Each Bank is hereby authorized by the Company to endorse on the schedule attached to its Note (or on a continuation of such schedule attached to such Note and made a part thereof) an appropriate notation evidencing the date and amount of each Loan made, each payment of principal and the other information provided for on such schedule; provided, however, that the failure of either Bank to set forth such Loans, principal payments and other information on such schedule shall not in any manner affect the obligation of the Company to repay principal, interest, and any other obligations in accordance with the terms of the applicable Note and this Agreement. The outstanding aggregate unpaid amount of the Loans of each Bank at any time shall be the principal amount owing on the Note of such Bank at such time. The records of each Bank shall be prima facie evidence of the Loans of such Bank and accrued interest thereon and of all payments made in respect thereof.

SECTION 1.04. Principal. Prior to the Commitment Termination Date, the outstanding principal amount of each Loan shall be payable on the last day of the Interest Period of such Loan; provided that, if any such day is not a Business Day, such principal shall be payable on the next succeeding Business Day (unless, in the case of a Eurodollar Loan, the same would fall in a succeeding month, in which case such principal shall be payable on the first preceding Business Day). If not paid prior thereto, the unpaid principal balance of each Note shall be due and payable on the Maturity Date. Not later than 45 days before the Maturity Date, the Company may by written notice request that each of the Banks extend the Maturity Date by one year. If each of the Banks agrees in writing to such extension, the Maturity Date shall be extended for one year.

SECTION 1.05. Interest. (a) Each Loan that is a Base Rate Loan and each other amount payable under this Agreement shall bear interest at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 360 days) equal to the Base Rate.

(b) Subject to the provisions of Section 1.09, each Loan that is a CD Loan shall bear interest at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 360 days) equal to the Adjusted CD Rate plus the Applicable Margin. The lending Bank shall determine the applicable Adjusted CD Rate for each such Loan at 10:00 a.m., Richmond, Virginia, time, or as soon as practicable thereafter, on the first day of the applicable Interest Period and shall notify the Company of the Adjusted CD Rate so determined.

(c) Subject to the provisions of Section 1.09, each Loan that is a Eurodollar Loan shall bear interest at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 360 days) equal to the Adjusted Eurodollar Rate plus the Applicable Margin. The lending Bank shall determine the applicable Adjusted Eurodollar Rate for each such Loan at 11:00 a.m., Richmond, Virginia, time, or as soon as practicable thereafter, on the date when such determination is to be made in respect of such Interest Period and shall notify the Company of the Adjusted Eurodollar Rate so determined.

(d) Interest on each Loan shall be payable on each applicable Interest Payment Date, commencing with the first of such dates after the

date of such Loan, and on each Conversion Date, and on the Maturity Date.

SECTION 1.06. Commitment Fee. In consideration of the Commitments hereunder, the Company shall pay to each Bank on the last day of each calendar quarter, commencing with the first such date after the date hereof, and on the date of any reduction or termination of the Commitments, a commitment fee (hereinafter called the "Commitment Fee") equal to 1/4 of 1% per annum (computed on the basis of the actual number of days elapsed over a year of 365 days) times the average amount of the unused portion of the Commitment of such Bank during the preceding quarter. The Commitment Fee shall commence to accrue as of the date hereof, and shall cease to accrue on the earlier of the Conversion Date or the Commitment Termination Date.

SECTION 1.07. Termination and Reduction of Commitments. The Company may terminate in full, or from time to time permanently reduce in part, the Commitment of either Bank, in each case upon at least three Business Days' prior telephonic notice to the Bank, provided that a termination or reduction that would require the prepayment under Section 1.12 of a Fixed Rate Loan may be made only on the last day of the Interest Period in effect for such Loan. Each partial reduction of a Bank's Commitment shall be in a minimum aggregate principal amount of $1,000,000 or in an integral multiple thereof. Once reduced, a Bank's Commitment cannot be reinstated without its written consent.

SECTION 1.08. Additional Interest. Any amount which is not paid when due, whether at the stated maturity thereof, by acceleration or otherwise, shall bear interest thereafter at the Post-Default Rate.

SECTION 1.09. Alternate Rate of Interest. (a) If on the day two Business Days prior to the commencement of any Interest Period for a Eurodollar Loan, the lending Bank shall have determined (which determination shall be conclusive and binding upon the Company) that dollar deposits in the amount of the principal of such Eurodollar Loan are not generally available in the relevant interbank market, or that the rate at which such dollar deposits are being offered will not adequately and fairly reflect the cost to the Bank of making or maintaining the principal amount of such requested Eurodollar Loan during such Interest Period, or that reasonable means do not exist for ascertaining the Adjusted Eurodollar Rate, the lending Bank shall, as soon as practicable thereafter, give telephonic notice of such determination to the Company, and any request by the Company for a Eurodollar Loan or for conversion to or maintenance of a Eurodollar Loan pursuant to Section 1.02, 1.07 or 1.10 shall be deemed a request for a Base Rate Loan. After such notice shall have been given and until the circumstances giving rise to such notice no longer exist, each request for a Eurodollar Loan shall be deemed to be a request for a Base Rate Loan. Each determination by the lending Bank hereunder shall be conclusive absent manifest error.

(b) If on or before the day on which the Adjusted CD Rate for a CD Loan is to be determined, the lending Bank shall have determined (which determination shall be conclusive and binding upon the Company) that such Adjusted CD Rate for such Loan cannot be ascertained for any reason, including, without limitation, the inability of the lending Bank to obtain sufficient bids in accordance with the terms of this Agreement or the

lending Bank shall determine that the Adjusted CD Rate for such CD Loan will not adequately and fairly reflect the cost to the Bank of making or maintaining such principal amount during the Interest Period for such Loan, the lending Bank shall, as soon as practicable thereafter, give telephonic notice of such determination to the Company, and any request by the Company for a CD Loan or for conversion to or maintenance of a CD Loan pursuant to Sections 1.02 or 1.07 shall be deemed to be a request for a Base Rate Loan. After such notice shall have been given and until the circumstances giving

rise to such notice no longer exist, each request for a CD Loan shall be deemed to be a request for a Base Rate Loan. Each determination by the lending Bank hereunder shall be conclusive absent manifest error.

SECTION 1.10. Continuation and Conversion of Loans. Subject to Sections 1.13 and 1.14, the Company may, at any time in the case of conversion into or continuation of CD Loans, and on two Business Days' notice in the case of conversion into or continuation of Eurodollar Loans (which notice, to be effective, must be received by the lending Bank not later than 10:00 a.m., Richmond, Virginia, time) preceding the date of any continuation or conversion, elect (i) to continue any Eurodollar Loan, CD Loan, or portion thereof, into a subsequent Interest Period and (ii) to convert any Loan or portion thereof into a Loan of a different type, subject in each case to the selection of Interest Periods, if applicable, and the payment in full of each Loan on the last day of the Interest Period therefor and subject in each case to the following:

(a) no Default (except in the case of conversion to Base Rate Loans) shall have occurred and be continuing at the time of such notice or such continuation or conversion;

(b) in the case of a continuation or conversion of less than all Loans, the aggregate principal amount of Loans continued or converted shall not be less than $1,000,000, and shall be in integral multiples of $500,000;

(c) each conversion shall be effected by each Bank as if the proceeds of the new Base Rate Loan, Eurodollar Loan or CD Loan, as the case may be, were applied to payment of the Loan (or portion thereof) being converted, and accrued interest on the Loan (or portion thereof) being converted shall be paid by the Company on and as of the Conversion Date;

(d) if the new Loan made in respect of a conversion shall be a Eurodollar Loan or a CD Loan, the first Interest Period with respect thereto shall commence on the Conversion Date;

(e) no Loan may be converted to a Eurodollar Loan less than one month before the Maturity Date, and no Loan may be converted to a CD Loan less than 30 days before the Maturity Date;

(f) no Fixed Rate Loan shall have an Interest Period that would extend beyond the Maturity Date;

(g) a Eurodollar Loan or CD Loan may be converted to another type of Loan only on the last day of the current Interest Period;

(h) the Conversion Date shall be a Business Day with respect to the new Loan;

(i) no Loan (or portion thereof) may be converted to a Eurodollar Loan or CD Loan if, after such conversion, and after giving effect to any prepayment of Loans, an aggregate of more than 5 separate Eurodollar Loans and CD Loans of either Bank would be outstanding hereunder (determined as set forth in Section 1.02(d)); and

(j) each request for a Eurodollar Loan or CD Loan or a continuation thereof that fails to state an applicable Interest Period shall be deemed to be a request for an Interest Period of a one-month or 30-day duration, respectively.

In the event that the Company shall not give notice to continue any Eurodollar Loan or CD Loan into a subsequent Interest Period or convert any such Loan into a Loan of the other type, such Loan (unless repaid in full) shall automatically become a Base Rate Loan at the expiration of the then

current Interest Period.

SECTION 1.11. Optional Prepayment. (a) The Company shall have the right at any time and from time to time to prepay any Base Rate Loan, in whole or in part, without premium or penalty, upon telephonic notice to the Banks; provided however, that each such partial prepayment shall be in the principal amount of at least $500,000 or in an integral multiple thereof.

(b) The Company shall have the right to prepay any Eurodollar Loan, CD Loan or Negotiated Rate Loan, in whole or in part, on the last day of the Interest Period in effect for such Loan upon at least two Business Days', in the case of a CD Loan, and three Business Days', in the case of a Eurodollar Loan, prior telephonic notice to the Bank; provided, however, that each such partial prepayment shall be in the principal amount of at least $500,000 or an integral multiple thereof. The Company shall not prepay any Eurodollar Loan, CD Loan or Negotiated Rate Loan, except on the last day of the Interest Period in effect for such Loan as provided above (subject to Section 1.14).

(c) Each notice of prepayment shall specify the Loan(s) to be prepaid, the prepayment date and the principal amount of each Loan to be prepaid, shall be irrevocable and shall commit the Company to prepay each such Loan by the amount stated in such notice. All prepayments under this Section shall be accompanied by accrued interest on the principal amount being prepaid to the date of prepayment. Amounts prepaid pursuant to this Section prior to the Commitment Termination Date shall be available to be reborrowed from the Banks hereunder in accordance with the terms hereof to the extent such reborrowings do not cause the outstanding Loans to exceed the then outstanding Commitments of the Banks.

SECTION 1.12. Mandatory Prepayment. The Company shall prepay the Loans upon reduction of the Commitments pursuant to Section 1.07 in an amount sufficient to reduce the outstanding principal balance of the Loans to an amount not greater than the
reduced Commitments. All prepayments under this Section shall be accompanied by accrued interest on the principal amount being prepaid to the date of prepayment.

SECTION 1.13. Change in Circumstances. (a) In the event of any Regulatory Change or any change after the date hereof in conditions with respect to cost of funding or otherwise affecting the transactions contemplated by this Agreement or the Notes that:

(i) subjects any Bank to any tax with respect to any Eurodollar Loan or CD Loan (other than any tax on the overall net income of such Bank or of the lending office or affiliate of such Bank making any Eurodollar Loan hereunder) imposed by the United States or by the jurisdiction in which such Bank has its principal office (or in which such lending office or affiliate is located) or any political subdivision or taxing authority therein; or

(ii) changes the basis of taxation of any payment to either Bank of principal of or interest on any Eurodollar Loan or CD Loan or other fees and amounts payable hereunder, or any combination of the foregoing; or

(iii) imposes, modifies or deems applicable any reserve (other than, in the case of Fixed Rate Loans, any reserve taken into account in the computation of CD Statutory Reserves or Eurodollar Statutory Reserves, as the case may be), deposit or similar requirement against any assets held by, deposits with or for the account of or loans or commitments by an office of such Bank; or

(iv) imposes upon such Bank or the relevant interbank market any

other condition with respect to the Eurodollar Loans, upon such Bank any other conditions with respect to CD Loans or upon such Bank any other condition with respect to this Agreement, and the result of any of the foregoing is to increase the cost to such Bank of making or maintaining any Eurodollar Loan or CD Loan hereunder or to reduce the amount of any payment (whether of principal, interest or otherwise) received or receivable by such Bank, or to require such Bank to make any payment in connection with any Eurodollar Loan or CD Loan, then and in each such case the Company shall pay to such Bank, as provided in paragraph (b) below, such amounts as shall be necessary to compensate such Bank for such cost, reduction or payment; provided, however, that the Company may, at its option and upon notice to the Banks, either (i) elect to convert such Loan of such Bank into a Base Rate Loan upon the payment by the Company of the increased costs described above incurred prior to such conversion and any amount owing in respect of Section 1.15 hereof, it being understood that (A) for purposes of Sections 1.10, 1.11 and 1.12, such Base Rate Loan shall be subject to prepayment or conversion only at such times and on such conditions as the Loan from which it was converted and (B) upon such increased costs being eliminated, or reduced by an amount deemed sufficient by the Company, such Base Rate Loan will be converted into a Loan of the same type as the Loan previously converted into such Base Rate Loan having an Interest Period expiring on the same date as the Loan previously converted into such Base Rate Loan or (ii) with the prior consent of the Bank, elect to convert all (but not less than all) Loans of such Bank of the same type and Interest Period as the Loan subject to such change into Loans of a different type upon the payment of all amounts that are due under Section 1.15, such conversion to be subject to the provisions of Section 1.10 (other than clause (i) thereof).

(b) Each Bank shall promptly deliver to the Company from time to time one or more certificates setting forth the amounts due to such Bank under paragraph (a) above, the basis for the computation thereof and the changes as a result of which such amounts are due. Each certificate shall be conclusive in the absence of manifest error. The Company shall pay to each Bank the amounts shown as due on any such certificate within 10 days after its receipt of the same. No failure on the part of either Bank to demand compensation under paragraph (a) or (b) above on any one occasion shall constitute a waiver of its right to demand such compensation on any other occasion. The protection of this Section shall be available to each Bank regardless of any possible contention of the invalidity or inapplicability of any law, regulation or other condition that gives rise to any right of such Bank for compensation hereunder.

SECTION 1.14. Change in Legality. (a) Notwithstanding anything to the contrary contained elsewhere in this Agreement, if any Regulatory Change shall make it unlawful for a Bank to make or maintain a Eurodollar Loan or a CD Loan or to give effect to its obligations as contemplated hereby with respect to a Eurodollar Loan or a CD Loan, then, by written notice to the Company, such Bank may:

(i) declare that Eurodollar Loans or CD Loans, as the case may be, will not thereafter be made by such Bank hereunder, whereupon the Company shall be prohibited from requesting Eurodollar Loans or CD Loans, as the case may be, from such Bank unless such declaration is subsequently withdrawn; and

(ii) require that all outstanding Eurodollar Loans or CD Loans, as the case may be, made by it be converted to Base Rate Loans, whereupon all of such Eurodollar Loans or CD Loans, as the case may be, shall be automatically converted to Base Rate Loans as of the effective date of such notice as provided in paragraph (b) below (notwithstanding the provisions of Section 1.07).

(b) For purposes of this Section 1.14, a notice to the Company

by any Bank pursuant to paragraph (a) above shall be effective with respect to outstanding Eurodollar Loans or CD Loans, as the case may be, on the last day of the then current Interest Period; in all other cases, such notice shall be effective on the date of receipt by the Company.

SECTION 1.15. Indemnity. The Company shall reimburse each Bank on demand for any loss incurred or to be incurred by it in the reemployment of the funds released by any prepayment or conversion of any Eurodollar Loan, CD Loan or Negotiated Rate Loan required or permitted by any provision of this Agreement if such Loan is prepaid or converted other than on the last day of the Interest Period for such Loan. Such loss shall be the difference as reasonably determined by such Bank between the amount that would have been realized by such Bank for the remainder of such Interest Period for such Loan based on the interest rate applicable thereto during such Interest Period and any lesser amount that would be realized by such Bank in reemploying the funds received in prepayment (or realized from the Loan so converted) by making a Loan of the same type, in the principal amount prepaid or converted during the period from the date of prepayment or conversion to the last day of the Interest Period of the Loan being prepaid or converted. Without duplication of the foregoing indemnity payments, the Company will indemnify each Bank against any actual loss or expense that such Bank may sustain or incur as a consequence of any default in payment or prepayment of the principal amount of any Loan or any part thereof or interest accrued thereon, as and when due and payable (at the due date thereof, by notice of prepayment or otherwise), or the occurrence of any Event of Default, including but not limited to any loss or expense sustained or incurred in liquidating or employing deposits from third parties acquired to effect or maintain such Loan or any part thereof. Each Bank demanding indemnification under this Section 1.15 shall provide to the Company a statement, signed by an officer of such Bank and supported where applicable by documentary evidence, explaining the amount of any such actual loss or expense, which statement shall, in the absence of manifest error, be conclusive with respect to the parties hereto.

SECTION 1.16. Negotiated Rates. Either Bank may at its sole option from time to time offer to make a Loan to the Company at a Negotiated Rate, but neither Bank shall be obligated to offer a Negotiated Rate at any time. Each Negotiated Rate Loan shall be subject to such terms and conditions, including amount, notice and Interest Period as the lending Bank may determine in its sole discretion.

ARTICLE II

CONDITIONS OF LENDING

SECTION 2.01. Initial Borrowing. The obligations of the Banks to make an initial Loan hereunder are subject to the following conditions, each of which shall be satisfied on or before the Closing Date:

(a) The Company shall have terminated the commitments of Crestar and of NationsBank of North Carolina, N.A. to make loans to it under the Prior Credit Agreement.

(b) The Company shall have delivered to each of the Banks a duplicate original of this Agreement executed on the Company's behalf by its duly authorized officer.

(c) Each Bank shall have received a duly executed Note payable to its order and otherwise complying with the provisions of Section 1.03.

(d) Each Bank shall have received certified copies of corporate resolutions and other documents evidencing corporate action taken by the Company to authorize this Agreement, the Notes and the borrowings

hereunder.

(e) The representations and warranties contained in Article III shall be true and correct in all material respects, and the Banks shall have received a certificate to such effect signed by a duly authorized representative of the Company.

(f) Each Bank shall have received the written opinion of Drew St. J. Carneal, Esq., Senior Vice President, Corporate Counsel and Secretary of the Company, substantially in the form of Exhibit B hereto.

(g) All legal matters incident to this Agreement and the Loans shall be satisfactory to Mays & Valentine.

SECTION 2.02. Each Borrowing. As a condition to each Loan to be made hereunder:

(a) Each Bank shall have received a notice of such Loan as required by Section 1.02.

(b) Each representation and warranty set forth in Article III shall be true and correct on and as of the date of such borrowing with the same effect as though such representations and warranties had been made on and as of such date, both before and after giving effect to such Loan and the application of the proceeds thereof. The representations and warranties set forth in Section 3.06 shall be deemed to apply to the most recent financial statements furnished by the Company to the Banks pursuant to Section 4.04.

(c) At the time of each borrowing, and after giving effect thereto, the Company shall be in compliance with all terms and provisions of this Agreement on its part to be observed or performed, and at the time of and immediately after such borrowing no Default shall have occurred and be continuing.

(d) Such Loan will not contravene any Legal Requirement applicable to either Bank.

Each borrowing hereunder shall be deemed to be a representation and warranty by the Company on the date of such borrowing as to the matters specified in paragraphs (b) and (c) of this Section.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

As an inducement to the Banks to enter into this Agreement and to make Loans hereunder, the Company represents and warrants to the Banks that:

SECTION 3.01. Corporate Authority. The Company has full corporate power and authority to enter into this Agreement, to make the borrowings hereunder, to execute and deliver the Notes and to incur the obligations provided for herein and therein, all of which have been duly authorized by all proper and necessary corporate action. No consent or approval of stockholders or consent or approval of, notice to or filing with, any public authority is required as a condition to the validity of this Agreement or the Notes.

SECTION 3.02. Good Standing. The Company and its Subsidiaries (other than Owens & Minor Minnesota, Inc.) are each a corporation organized and existing in good standing under the laws of the jurisdiction of their respective incorporation, and each corporation has the corporate power to

own its property and to carry on its business as now being conducted, is in good standing, and is duly qualified to do business in each jurisdiction in which the failure to qualify could have a material adverse effect on the financial condition of the Company or its ability to perform its obligations hereunder or under the Notes.

SECTION 3.03. Binding Agreements. This Agreement constitutes, and the Notes when issued and delivered pursuant hereto for value received will constitute, the valid and binding obligations of the Company enforceable in accordance with their terms.

SECTION 3.04. Litigation. There are no proceedings pending or, so far as the officers of the Company know, threatened before any court or administrative agency that, in the opinion of the officers of the Company, will materially adversely affect the financial condition or operations of the Company or any of its Subsidiaries.

SECTION 3.05. No Conflicting Agreements. There is no charter, by-law or preference stock provision of the Company or any of its Subsidiaries and no provision of any existing mortgage, indenture, contract or agreement binding on the Company or any Subsidiary or affecting their respective properties, that would conflict with or in any way prevent the execution, delivery, or carrying out of the terms of this Agreement or the Notes.

SECTION 3.06. Financial Condition. The consolidated balance sheet of the Company and its Subsidiaries as of December 31, 1992, and the related consolidated statements of income, stockholders' equity and cash flows for the period then ended, certified by KPMG Peat Marwick, heretofore delivered to the Banks, are complete and correct and fairly present the financial condition of the Company and its Subsidiaries and the results of their operations and transactions in their surplus accounts as of the date and for the period referred to therein and have been prepared in accordance with generally accepted accounting principles applied on a consistent basis. There are no material liabilities, direct or indirect, fixed or contingent, of the Company or any of its Subsidiaries as of the date of such balance sheet that are not reflected therein or in the notes thereto. There has been no material adverse change in the financial condition or operations of the Company or any of its Subsidiaries since the date of said balance sheet, and there has been no other material adverse change in the Company.

SECTION 3.07. Subsidiaries. The Company has the following Subsidiaries and no others:

Owens & Minor West, Inc.
Koley's Medical Supply, Inc.
Lyons Physician Supply Company
A. Kuhlman & Co.
Owens & Minor Minnesota, Inc.
National Medical Supply Corporation
Harbor Medical, Inc.

Each of the above Subsidiaries is wholly-owned.

SECTION 3.08. Employee Benefit Pension Plans. No Reportable Event exists in connection with any employee benefit plan of the Company or

any Subsidiary covered by ERISA (including any plan of any member of a controlled group of corporations and all trades and businesses (whether or not incorporated) under common control which, together with the Company or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code, which might constitute grounds for the termination of any such plan by the PBGC or for the appointment of any trustee to administer any such plan by the appropriate United States district court.

SECTION 3.09. No Default. No default in payment or performance by the Company or any of its Subsidiaries, and no event which, with the giving of notice or the lapse of time, or both, would constitute such a default, has occurred and is continuing in connection with any indebtedness for borrowed money of the Company or any of its Subsidiaries.

ARTICLE IV

AFFIRMATIVE COVENANTS

From and after the Closing Date and so long as any amount remains unpaid under the Notes or under this Agreement and until the Commitment Termination Date, the Company shall:

SECTION 4.01. Financial Statements and Reports. Furnish to each Bank (i) as soon as available, but in no event more than forty-five (45) days after the end of each of its first three (3) quarterly periods in each fiscal year, a consolidated balance sheet of the Company and its Subsidiaries as of the close of such quarter and a consolidated profit and loss statement to the close of such quarter, certified by the chief financial officer or treasurer of the Company and accompanied by a certificate of that officer (x) stating that the Company is in compliance with all of the terms and conditions of this Agreement and that no Default has occurred, or if a Default has occurred, stating the facts with respect thereto and (y) containing information in sufficient detail to allow the Banks to confirm that the Company is then in compliance with the financial covenants contained herein; (ii) as soon as available, but in no event more than ninety (90) days after the close of each of the Company's fiscal years, a copy of the annual audit report of the Company and its Subsidiaries in reasonable detail, substantially similar to the audited financial statements referred to in Section 3.06 above, prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year and certified by KPMG Peat Marwick, or other independent certified public accountants satisfactory to the Banks, which report shall include a consolidated balance sheet of the Company and its Subsidiaries as of the end of such fiscal year, a consolidated income statement of the Company and its Subsidiaries for such fiscal year, and consolidated statements of stockholders' equity and cash flows of the Company and its Subsidiaries for such fiscal year, accompanied by a certificate of said accountants stating whether any Default existed as of the end of such fiscal year, and, if so, stating the facts with respect thereto; (iii) as soon as available, but in no event more than sixty (60) days after the close of each of the Company's fiscal years, a copy of the projected budget of the Company for the following fiscal year; (iv) promptly upon their becoming available, copies of all financial statements, reports, notices, and proxy statements sent by the Company or any of its Subsidiaries to stockholders and of all regular, periodic and special reports filed by the Company or any of its Subsidiaries with any securities exchange or with the Securities and Exchange Commission or any governmental authority succeeding to any or all of the functions of the Securities and Exchange Commission; and (v) such additional information, reports, and

statements as the Banks or either of them may from time to time reasonably request. The Company will also upon request permit the Banks, or either of them, and their respective agents to inspect its books and records and those of its Subsidiaries and discuss its affairs with its officers.

SECTION 4.02. Working Capital Ratio. Maintain as of the end of each fiscal quarter of the Company a ratio of total Consolidated Current Assets to total Consolidated Current Liabilities of not less than 1.4 to 1.

SECTION 4.03. Tangible Net Worth. Maintain Consolidated Tangible Net Worth as of the end of each fiscal quarter of the Company of not less than Seventy-Five Million Dollars ($75,000,000) plus fifty percent (50%) of the consolidated net income of the Company and its Subsidiaries for the period beginning on January 1, 1993 and extending through the end of such fiscal quarter.

SECTION 4.04. Minimum Fixed Charge Coverage Ratio. Maintain a ratio, measured as of the end of each fiscal quarter, of (a) the sum of its consolidated net income before income taxes, plus interest expense, consolidated rental expense, depreciation and amortization for the four fiscal quarters ending on such date to (b) the sum of (i) the current maturities of long-term debt as shown on the consolidated balance sheet as of such date, (ii) consolidated interest expense for the four quarters ending on such date, consolidated rental expense for the four quarters ending on such date (other than rent on capitalized leases), and dividends paid during such four quarters, all as determined in accordance with generally accepted accounting principles, of not less than 1.5 to 1. The ratio computed as provided in this Section 4.04 is herein referred to as the "Fixed Charge Coverage Ratio".

SECTION 4.05. Taxes. Pay and discharge, and cause each of its Subsidiaries to pay and discharge all taxes, assessments and governmental charges upon it, its income, and its properties prior to the date on which penalties are attached thereto, unless and to the extent only that such taxes, assessments, and governmental charges shall be contested by it in good faith and by appropriate proceedings, and the Company shall have set aside on its books adequate reserves with respect to any such tax, assessment or charge so contested.

SECTION 4.06. Payment Of Obligations. Pay and discharge and cause each of its Subsidiaries to pay and discharge at or before their maturity all their respective indebtedness and other obligations and liabilities, except when the same may be contested in good faith and by appropriate proceedings, and the Company shall have set aside on its books adequate reserves with respect to any such obligation or liability.

SECTION 4.07. Insurance. Maintain, and cause each of its Subsidiaries to maintain adequate insurance with responsible companies satisfactory to the Banks in such amounts and against such risks as is customarily carried by owners of similar businesses and property.

SECTION 4.08. Corporate Existence. Maintain, and cause each of its Subsidiaries (other than Owens & Minor Minnesota, Inc.) to maintain its corporate existence in good standing, provided that nothing contained herein shall prohibit the merger of any Subsidiary into the Company or into any other wholly-owned Subsidiary or the dissolution of any Subsidiary which has no assets.

SECTION 4.09. Properties. Maintain, preserve, and protect, and cause each of its Subsidiaries to maintain, preserve, and protect, all material franchises and trade names and preserve all the remainder of its property material to the conduct of its business and keep the same in good repair, working order, and condition, and from time to time make or cause to be made all needful and proper repairs, renewals, replacements,

betterments, and improvements thereto (subject to the limitations of Section 5.05 hereof) so that the business carried on in connection therewith may be properly and efficiently conducted at all times, and permit the Banks and their respective agents to enter upon and inspect such properties during normal business hours with prior reasonable notice, provided that nothing contained herein shall prevent the Company or any Subsidiary from selling or otherwise disposing of any such property if such property is no longer material to the business of the Company or such Subsidiary, nothing contained in this Section 4.09 shall prohibit the sale by the Company of other assets if the fair market value of all such assets sold after December 31, 1992 does not exceed 15% of the Consolidated Tangible Net Worth at the end of the most recently ended fiscal year of the Company, and nothing contained in this Section 4.09 shall prohibit any Subsidiary from transferring any property to the Company or to any other wholly-owned Subsidiary.

SECTION 4.10. Employee Benefit Pension Plans. Promptly during each year pay, or cause a Subsidiary to pay, contributions that in the judgment of the chief executive and chief financial officers of the Company after reasonable inquiry are believed adequate to meet at least all applicable minimum funding standards set forth in Sections 302 through 305 of ERISA, with respect to each employee benefit plan of the Company covered by ERISA (including any plan of any member of a controlled group of corporations and all trades and businesses (whether or not incorporated) under common control which, together with the Company, are treated as a single employer, under Section 414 of the Code); file or cause to be filed each annual report required to be filed pursuant to Section 103 of ERISA in connection with each such plan for each year; and notify the Banks within ten (10) days of the occurrence of a Reportable Event that could constitute grounds for termination of any such plan by PBGC or for the appointment by the appropriate United States District Court of a trustee to administer any such plan, provided that nothing contained herein shall prohibit the Company or any Subsidiary from terminating any such plan if it has theretofore complied with the provisions of this Section.

SECTION 4.11. Compliance With Laws. Comply and cause each of its Subsidiaries to comply in all material respects with all material applicable laws, rules, regulations and orders of any governmental authority having jurisdiction over it, including without limitation the Occupational Safety and Health Act of 1970, the Americans with Disabilities Act of 1990 and those laws, rules, regulations and orders relating to the environment.

SECTION 4.12. Notice of Environmental Matters. Immediately advise Banks in writing of (a) any and all enforcement, cleanup, remedial, removal, or other governmental or regulatory actions instituted, completed or, to the knowledge of the Company, threatened pursuant to any applicable federal, state, or local laws, ordinances or regulations relating to any Hazardous Materials affecting the business operations of the Company or any Subsidiary, and (b) all claims made or, to the knowledge of the Company or any Subsidiary, threatened by any third party against the Company or any Subsidiary relating to damages, contribution, cost recovery compensation, loss or injury resulting from any Hazardous Materials and immediately notify Bank of any remedial action taken by the Company or any Subsidiary in response to any such action or claim or threatened action or claim with respect to the business operations of the Company or any of its Subsidiaries.

SECTION 4.13. Licenses and Permits. Keep in force and effect all licenses and permits necessary to the proper conduct of its business and that of its Subsidiaries.

ARTICLE V

NEGATIVE COVENANTS

From and after the Closing Date and so long as any amount remains unpaid under the Notes or under this Agreement and until the Commitment Termination Date, without the prior written consent of both of the Banks the Company will not:

SECTION 5.01. Mergers, Consolidations and Acquisitions. Enter into any merger or consolidation with, or acquiring all or substantially all of the assets of any person, firm, joint venture or corporation, and refrain from permitting any Subsidiary so to do, if the aggregate cost to the Company or such Subsidiary (including any indebtedness, subordinated or otherwise, incurred or liabilities assumed in connection with any such transaction) exceeds 30% of Consolidated Tangible Net Worth at the end of the Company's fiscal year next preceding such transaction.

SECTION 5.02. Mortgages and Pledges. Create, incur, assume, or suffer to exist any mortgage, pledge, lien, or other encumbrance of any kind upon, or any security interest in, any of its property or assets, whether now owned or hereafter acquired, or permit any Subsidiary so to do, except (i) liens for taxes not yet delinquent or being contested in good faith and by appropriate proceedings; (ii) liens in connection with worker's compensation, unemployment insurance, or other social security obligations; (iii) deposits or pledges to secure bids, tenders, contracts (other than contracts for the payment of money), leases, statutory obligations, surety or appeal bonds, and other obligations of like nature arising in the ordinary course of business; (iv) mechanic's, workman's, materialman's, landlord's, carrier's, or other like liens arising in the ordinary course of business with respect to obligations that are not due or that are being contested in good faith; (v) mortgages, pledges, liens, and encumbrances in favor of the Banks ratably securing obligations under this Agreement; (vi) liens existing as of the date of this Agreement; (vii) zoning restrictions, easements, licenses, restrictions on the use of real property or minor irregularities in the title thereto, which do not, in the opinion of the Company, materially impair the use of such property in the operation of the business of the Company or the value of such property for the purposes of such business; (viii) any mortgage, encumbrance or other lien upon, or security interest in, any property hereafter acquired by the Company or such Subsidiary created contemporaneously with such acquisition to secure or provide for the payment or financing of any part of the purchase price thereof, or the assumption of any mortgage, encumbrance or lien upon, or security interest in, any such property hereafter acquired existing at the time of such acquisition, or the acquisition of any such property subject to any mortgage, encumbrance or other lien or security interest without the assumption thereof, provided that each such mortgage, encumbrance, lien or security interest shall attach only to the property so acquired and fixed improvements thereon; (ix) any judgment which is adequately insured or indemnified against or which does not remain undischarged for a period of thirty (30) days during which time execution is not effectively stayed; (x) liens on assets of Subsidiaries to secure amounts owing the Company; and (xi) the extension, renewal or replacement of any lien or charge permitted by the foregoing clauses (vi) and (viii) with respect to the same property and the extension, renewal or replacement (without increase in the principal amount) of any obligations secured thereby. Nothing contained in this Section 5.02 shall prohibit the Company from entering into any lease required to be capitalized by generally accepted accounting principles in accordance with the Financial Accounting Standards Board Statement No. 13 (Accounting for Leases) in effect on June 1, 1992, provided such lease is not otherwise prohibited by the terms of this Agreement.

SECTION 5.03. Total Debt to Capitalization Ratio. Permit the ratio of (a) the sum without duplication of consolidated Total Funded Debt

and consolidated contingent obligations of the Company and its Subsidiaries to (b) the sum without duplication of consolidated Total Funded Debt, consolidated contingent obligations and stockholders' equity to exceed .60 to 1 as of the end of any fiscal quarter of the Company. The ratio computed as provided in this Section 5.03 is herein referred to as the Total Debt to Capitalization Ratio.

SECTION 5.04. Environmental Law Compliance. Use or permit any other party to use any Hazardous Materials at any place of business of the Company or any Subsidiary except such materials as are incidental to the normal course of business, maintenance and repair of the Company or such Subsidiary, and are in strict accordance with applicable laws. The Company agrees to permit the Banks and their respective agents, contractors and employees to enter and inspect any of the places of business of the Company or any Subsidiary at the Banks' expense at any reasonable times upon three (3) days' prior notice for the purposes of conducting an environmental investigation and audit (including taking physical samples) to insure that the Company and its Subsidiaries are complying with this covenant. The Company shall provide the Banks and their respective agents, contractors, employees and representatives with access to and copies of any and all data and documents relating to or dealing with any Hazardous Materials used, generated, manufactured, stored or disposed of by the business operations of the Company and its Subsidiaries within five (5) days of the request

therefor.

SECTION 5.05. Capital Expenditures. If the Total Debt to Capitalization Ratio exceeds .45 to 1 as of the end of any fiscal quarter of the Company, make any capital expenditures in the next fiscal quarter which when added to the capital expenditures made in the prior quarters of such fiscal year exceed 200% of the projected depreciation and amortization expense (exclusive of amortization of goodwill) for such fiscal year. For purposes of determining compliance with this Section 5.05 the projected amounts shall be those shown in the projected budget delivered to the Banks pursuant to Section 4.01.

SECTION 5.06. Dividends and Purchase of Stock. Declare or pay any dividends (other than dividends payable in capital stock of the Company) on any shares of any class of its capital stock, or apply any of its property or assets to the purchase, redemption, or other retirement of, or set apart any sum for the payment of any dividends on, or for the purchase, redemption, or other retirement of, or make any other distribution by reduction of capital or otherwise in respect of, any shares of any class of capital stock of the Company, if after the declaration or payment of such dividend or distribution, the Company could not be in compliance with any provision of this Agreement.

SECTION 5.07. Sale and Leaseback. Directly or indirectly enter into any arrangement whereby the Company or any Subsidiary shall sell or transfer any of its fixed assets then owned by it and shall thereupon or within one year thereafter rent or lease the assets so sold or transferred, other than transactions between the Company and a wholly-owned Subsidiary, if after giving effect thereto the aggregate net proceeds of all such sales and transfers made after December 31, 1992 shall exceed ten percent (10%) of Consolidated Tangible Net Worth.

SECTION 5.08. Transactions with Affiliates. Enter into or be a party to, or permit a Subsidiary to enter into or be a party to, any transaction or arrangement with any Affiliate (including without limitation, the purchase from, sale to or exchange of property with, or the rendering of any service by or for, any Affiliate), except in the ordinary course of and pursuant to the reasonable requirements of the Company's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Subsidiary than would obtain in a comparable arm's-length transaction with a person other than an Affiliate.

SECTION 5.09. Contingent Liabilities. Assume, guarantee, endorse or otherwise become surety for or upon the obligation of any person, firm, joint venture or corporation, or permit any of its Subsidiaries to do so, other than guaranties by the Company of lease obligations of Subsidiaries, unless the amount of such contingent obligation is limited to a stated maximum dollar exposure.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01. Events of Default. Each of the following shall constitute an "Event of Default":

(a) Default shall be made by the Company in the payment of any interest upon any Note when such interest is due and payable, and such default shall continue unremedied for a period of five (5) days after the Company shall have been given notice thereof by the holder of such Note; or

(b) Default shall be made by the Company in the payment of any Commitment Fee payable hereunder and such default shall continue unremedied for a period of five (5) days after the Company shall have been given notice thereof; or

(c) Default shall be made in the payment of any installment of principal of any Note, when and as the same becomes due and payable whether at the stated maturity thereof or by acceleration or otherwise and such default shall continue unremedied for a period of five (5) days; or

(d) Default shall be made in the due observance or performance of any other term, covenant or agreement contained in this Agreement and such default shall continue unremedied for a period of fifteen (15) days after the Company shall have been given notice thereof; or

(e) A custodian, other than a trustee, receiver or agent appointed or authorized to take charge of less than substantially all of the property of the Company or any Subsidiary for the purpose of enforcing a lien against such property, is appointed for, or takes possession of any property or assets of, the Company or any Subsidiary; or

(f) Any representation or warranty made by the Company herein or any statement or representation made in any certificate, report, or opinion delivered pursuant hereto shall prove to have been incorrect in any material respect when made; or

(g) The Company or any Subsidiary shall be generally not paying its debts as such debts become due, shall become insolvent or unable to meet its obligations as they mature, shall make an assignment for the benefit of creditors, shall consent to the appointment of a trustee or a receiver, or shall admit in writing its inability to pay its debts as they mature; or

(h) A trustee or receiver (other than a custodian described in subsection (e)) shall be appointed for the Company or any Subsidiary or for a substantial part of its properties without the consent of the Company or such Subsidiary and not be discharged within thirty (30) days; or

(i) Any case in bankruptcy shall be commenced, or any reorganization, arrangement, insolvency, or liquidation proceeding shall be instituted by or against the Company or any Subsidiary, and if commenced or instituted against it, be consented to by the Company or such Subsidiary or remain undismissed for a period of thirty (30) days; or

(j) Any default shall be made with respect to any other obligation incurred in connection with any indebtedness for borrowed money of the Company, or any Subsidiary, if the effect of such default is to accelerate the maturity of such indebtedness or to permit the holder thereof (or a trustee on behalf of such holder) to cause such indebtedness to become due prior to its stated maturity or to do so with the giving of notice or lapse of time, or both, and such default is not cured within thirty (30) days of its occurrence, or any such indebtedness becomes due prior to its stated maturity or shall not be paid when due, or default shall be made by the Company or any Subsidiary in the performance of any payment obligation or any other material provision of any material lease; or

(k) Any final judgment for the payment of money in excess of ONE MILLION DOLLARS ($1,000,000.00) which is not adequately insured or indemnified against shall be rendered against the Company or any Subsidiary and the same shall remain undischarged for a period of thirty (30) days during which execution shall not be effectively stayed; or

(l) Any substantial part of the properties of the Company or any Subsidiary shall be sequestered or attached and shall not have been returned to the possession of the Company or such Subsidiary or released from such attachment within thirty (30) days; or

(m) The occurrence of a Reportable Event, which might constitute grounds for termination of any employee benefit plan of the Company or any Subsidiary covered by ERISA (including any plan of any member of a controlled group of corporations and all trades and businesses (whether or not incorporated) under common control which, together with the Company or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code) by the PBGC or grounds for the appointment by the appropriate United States District Court of a trustee to administer any such plan.

Upon the occurrence of any of the events hereinabove set forth, at any time during the continuance of any such event, either Bank may, if it deems appropriate, by sending written notice to the Company take either or both of the following actions, at the same or different times: (i) terminate forthwith its Commitment hereunder, and/or (ii) declare the Note or Notes held by it to be forthwith due and payable, whereupon such Note or Notes shall be forthwith due and payable, both as to principal and interest, without presentment, demand, protest, or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the Notes to the contrary notwithstanding. The Banks also agree that in the event either of them accelerates the maturity of any Note held by it or terminates its Commitment pursuant to the provisions of this Section 5.01, it will give prompt written notice of such acceleration or termination to the other Bank. The failure of either Bank to give such notice shall not however affect the validity or effectiveness of such acceleration or termination, nor give the Company any cause of action or other right against either Bank.

ARTICLE VII

DEFINITIONS

SECTION 7.01. Definitions. For purposes of this Agreement, unless the context otherwise requires, the following terms shall have the respective meanings assigned to them in this Article VII:

"Adjusted CD Rate" means, with respect to any CD Loan for any Interest Period, an interest rate per annum determined by the lending Bank (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the sum of (a) an interest rate per annum equal to the product of (i) the Fixed Certificate of Deposit Rate in effect for the Interest Period applicable to such Loan and (ii) CD Statutory Reserves, plus (b) the Assessment Rate, adjusted to reflect all additional actual costs, including brokers' fees and other acquisition costs, and Taxes as determined by the lending Bank, that are incurred by the lending Bank in connection with making such CD Loan. For purposes hereof, the term "Fixed Certificate of Deposit Rate" shall mean the arithmetic average (rounded upwards, if necessary, to the next 1/100 of 1%) of the prevailing rates per annum bid on or about 10:00 a.m., New York City time, or as soon thereafter as is practicable, to the lending Bank on the first Business Day of the Interest Period applicable to such CD Loan by not less than two New York City negotiable certificate of deposit dealers of recognized standing selected by the lending Bank for the purchase at face value of negotiable certificates of deposit of major United States money center banks in an amount approximately equal to the principal amount of the CD Loan and with a maturity comparable to such Interest Period. "CD Statutory Reserves" means on any date, a fraction, the numerator of which is one and the denominator of which is one minus the aggregate of the maximum reserve percentages (including, without limitation, any marginal, special, emergency, or supplemental reserves) established by the Federal Reserve Board and any other banking authority or Legal Requirement to which the lending Bank is subject for time deposits in dollars issued by domestic offices of the lending Bank. Such reserve percentages shall include, without limitation, those imposed under Regulation D. "Assessment Rate" shall mean the then current annual assessment rate (expressed as a percentage and rounded upwards, if necessary, to the next 1/100 of 1%) for determining the net annual assessment payable by the lending Bank to the Federal Deposit Insurance Corporation (or any successor agency) for insuring domestic Dollar time deposits at the Bank, as estimated from time to time by the lending Bank. The Adjusted CD Rate shall be adjusted automatically on and as of the effective date of each change in the Assessment Rate or CD Statutory Reserves. Each determination by the lending Bank of any Adjusted CD Rate and of the Assessment Rate, CD Statutory Reserves and Taxes shall be conclusive and binding on the Company and the lending Bank absent manifest error. The Banks and the Company acknowledge that either Bank may from time to time determine the Fixed Certificate of Deposit Rate from quotations of such Bank's money desk or by reference to Reuter Screen or similar quotations, in the discretion of such Bank, on and as of the date of determination.

"Adjusted Eurodollar Rate" means, with respect to any Eurodollar Loan for any Interest Period, an interest rate per annum determined by the lending Bank (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the product of (a) the Fixed Eurodollar Rate in effect for the Interest Period applicable to such Loan and (b) Eurodollar Statutory Reserves, adjusted to reflect all additional actual costs, including brokers' fees and other acquisition costs, and Taxes as determined by the lending Bank, which are incurred by the lending Bank in connection with making such Eurodollar Loan. For purposes hereof, the term "Fixed Eurodollar Rate" shall mean the arithmetic average of the interest rates at which deposits

of U.S. Dollars approximately equal in principal amount to the Eurodollar Loan and for a maturity equal to the applicable Interest Period are offered

in immediately available funds to the lending Bank by leading banks in the interbank market selected by the lending Bank for such deposits at approximately 11:00 a.m. (London time), or as soon thereafter as is practicable, two business days prior to the commencement of the Interest Period. "Eurodollar Statutory Reserves" shall mean, on any date, a fraction, the numerator of which is one and the denominator of which is one minus the maximum reserve percentages (including without limitation, basic, supplemental, marginal and emergency reserves) expressed by the Federal Reserve Board and any other banking authority to which the lending Bank is subject with respect to "Eurodollar liabilities" as currently defined in regulation D, or under any similar or successor regulation with respect to Eurocurrency liabilities or Eurocurrency funding. The Adjusted Eurodollar Rate shall be adjusted automatically on and as of the effective date of each change in Eurodollar Statutory Reserves. Each determination by the lending Bank of any Adjusted Eurodollar Rate and of Eurodollar Statutory Reserves and Taxes shall be conclusive and binding on the Company and the lending Bank absent manifest error. The Banks and the Company acknowledge that either Bank may from time to time determine the Fixed Eurodollar Rate from quotations of such Bank's money desk or by reference to Reuter Screen or similar quotations, in the discretion of such Bank, on and as of the date of determination.

"Affiliate" means, with respect to any Person, any other Person directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with, such first Person. For the purposes of this definition, "control" (including the terms "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise. Unless otherwise specified, "Affiliate" means an Affiliate of the Company.

"Agreement" means this Credit Agreement among the Company and the Banks, dated as of November 1, 1993, as the same may be amended, modified, supplemented or restated from time to time.

"Applicable Margin" shall be one percent (1%) per annum initially and shall be one percent (1%) per annum except as otherwise provided herein. In the event the Total Debt to Capitalization Ratio shall be less than .5 to 1, but not less than .4 to 1 as of the end of any fiscal quarter of the Company, commencing on the forty-fifth (45th) day after the end of such fiscal quarter and continuing until the forty-fifth (45th) day after the end of the following fiscal quarter, the Applicable Margin shall be six-tenths of one percent (.6 of 1%) per annum. In the event the Total Debt to Capitalization Ratio shall be less than .4 to 1, but not less than .3 to 1 as of the end of any fiscal quarter of the Company, commencing on the forty-fifth (45th) day after the end of such fiscal quarter and continuing until the forty-fifth (45th) day after the end of the following fiscal quarter, the Applicable Margin shall be one-half of one percent (.5 of 1%) per annum. In the event the Total Debt to Capitalization Ratio shall be less than .3 to 1, but not less than .2 to 1 as of the end of any fiscal quarter of the Company, commencing on the forty-fifth (45th) day after the end of such fiscal quarter and continuing until the forty-fifth (45th) day after the end of the following fiscal quarter, the Applicable Margin shall be forty-five hundredths of one percent (.45 of 1%) per annum. In the event the Total Debt to Capitalization Ratio shall be less than .2 to 1 as of the end of any fiscal quarter of the Company, commencing on the forty-fifth (45th) day after the end of such fiscal quarter and continuing until the forty-fifth (45th) day after the end of the following fiscal quarter, the Applicable Margin shall be three hundred seventy-five thousandths of one percent (.375 of 1%) per annum.

"Banks" means the institutions indicated as Banks on the signature pages hereof.

"Base Rate" means the rate of interest publicly announced from time to time by the lending Bank as its prime rate of interest (which rate of interest may not be the lowest rate charged by such Bank on similar loans). Each change in the Base Rate shall become effective without prior notice to the Company automatically as of the date such change is publicly announced as effective.

"Base Rate Loan" means a Loan on which interest accrues based on the Base Rate in accordance with Article I.

"Business Day" means any day other than Saturday, Sunday or a day on which banks are required or authorized to be closed for business in Richmond, Virginia, and, with respect to any Eurodollar Loan, means any such Business Day on which transactions are effected in deposits of U.S. Dollars in the relevant interbank foreign currency deposits market and on which commercial banks are open for domestic and international business (including dealings in Dollar deposits) in the jurisdiction in which such interbank market is located.

"CD Loan" means a Loan on which interest accrues based on the Adjusted CD Rate in accordance with Article I.

"Closing Date" means November 1, 1993 or such other date as the parties may agree.

"Code" means the Internal Revenue Code of 1986, as amended, together with all regulations and official rulings and interpretations issued pursuant thereto.

"Commitment" means, with respect to each Bank, the amount of the Commitment of such Bank set forth opposite such Bank's name on the signature pages hereof as the same may be reduced from time to time pursuant to this Agreement.

"Commitment Fee" shall have the meaning assigned to such term in Section 1.06 hereof.

"Commitment Termination Date" means the earlier of (i) the Maturity Date, or (ii) a date on which the Commitments may be terminated hereunder.

"Consolidated Current Assets" and "Consolidated Current Liabilities" shall mean such assets and liabilities of the Company and its Subsidiaries on a consolidated basis as shall be determined in accordance with generally accepted accounting principles to constitute current assets and current liabilities, respectively.

"Consolidated Tangible Net Worth" shall mean, as of the date of any determination thereof, total stockholders' equity of the Company less the excess of the purchase price over net assets acquired, net of amortization, goodwill and other items properly classified in "intangible assets".

"Conversion Date" means the date on which any Loan is converted from a Base Rate Loan, a CD Loan, a Eurodollar Loan or a Negotiated Rate Loan to a Loan of a different type pursuant to Section 1.10 hereof.

"Default" means an Event of Default or any condition or event that with the giving of notice or the lapse of time or both would become an Event of Default.

"Dollars" and the sign "$" shall refer to lawful currency of the United States of America.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, together with all regulations and official rulings and interpretations issued pursuant thereto.

"Eurodollar Loan" means a Loan on which interest accrues based on the Adjusted Eurodollar Rate in accordance with Article I.

"Event of Default" shall have the meaning assigned to such term in Article VI.

"Federal Reserve Board" means the board of Governors of the Federal Reserve System and any successor agency.

"Fixed Rate" means an Adjusted CD Rate, an Adjusted Eurodollar Rate or a Negotiated Rate.

"Fixed Rate Loans" means Loans hereunder on which interest accrues based on a Fixed Rate.

"Governmental Authority" means any government (or any political unit thereof), court, bureau, agency or other governmental authority having or claiming jurisdiction over the Company or a Subsidiary or any of their respective businesses, operations or properties.

"Interest Payment Date" means with respect to each Loan, the last day of each Interest Period for such Loan.

"Interest Period" means (i) as to any Eurodollar Loan, the period commencing on the date of such Eurodollar Loan or continuation thereof and ending on the numerically corresponding day (or, if there is no numerically corresponding day, on the last day) in the calendar month that is 1, 2 or 3 months thereafter, as the Company may elect, (ii) as to any CD Loan, a period commencing on the date of such CD Loan or continuation thereof and ending 30, 60 or 90 days thereafter as the Company may elect, (iii) as to any Negotiated Rate Loan, the period commencing on the date of such Negotiated Rate Loan and ending on the date agreed upon by the Company and the lending Bank, which shall not exceed 90 days, and (iv) as to any Base Rate Loan, the period commencing on the date of such Base Rate Loan or continuation thereof and ending on the earlier of (A) the last day of the calendar quarter in which such loan was made or continued and (B) the Maturity Date, as applicable; provided, however, that (y) if any Interest Period would end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, with respect to Eurodollar Loans only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (z) no Interest Period with respect to any Loan shall end later than the Maturity Date.

"Legal Requirement" means any requirement imposed upon any Bank by any law of the United States of America or any other jurisdiction exercising or claiming authority over such Bank, including without limitation, any regulation, order, interpretation, ruling or official directive (whether or not having the force of law) of the Federal Reserve Board, the Federal Deposit Insurance Corporation (or any successor agency), or any other board or governmental or administrative agency of the United States of America or such other jurisdiction.

"Loan" means an amount advanced pursuant to Section 1.01 and a Loan of a "type" means a Loan that bears, or is to bear, as the context may require, interest based on either the Base Rate, Adjusted CD Rate, Adjusted Eurodollar Rate or Negotiated Rate.

"Maturity Date" means May 31, 1996 or such later date as may be

established by a written agreement signed by the Company and each of the Banks.

"Negotiated Rate" means the rate of interest applicable to a Negotiated Rate Loan.

"Negotiated Rate Loan" means a Loan on which interest accrues at a rate per annum and for a period of time agreed upon between the Company and a Bank.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Plan" means any employee benefit plan of the Company or any Subsidiary covered by ERISA.

"Post-Default Rate" means a rate per annum equal to the Base Rate plus 2%.

"Prior Credit Agreement" shall have the meaning assigned to such term in the Recitals on page 1 of this Agreement.

"Regulation D" means Regulation D of the Federal Reserve Board, as the same is from time to time in effect, and all official rulings thereunder or thereof.

"Regulatory Change" means (i) any new, or any change in any existing, law, regulation, interpretation, directive or request (whether or not having the force of law) or (ii) any change in the administration or enforcement of any such applicable law, regulation, interpretation, directive or request that becomes effective after the date of this Agreement, whether as a result of an enactment by a Governmental Authority, a determination of a court or a Governmental Authority, or otherwise.

"Reportable Event" shall have the meaning assigned to such term in Title IV of ERISA.

"Subsidiary" means any corporation fifty percent (50%) or more of the outstanding voting shares of which is owned or controlled, directly or indirectly, by the Company or any of its Affiliates, and any partnership fifty percent (50%) or more of the general or limited partnership interests of which is owned or controlled, directly or indirectly, by the Company or any of its Affiliates.

"Tax" means, in relation to any Fixed Rate Loan and the applicable Fixed Rate, any federal, state, local or foreign tax, levy, impost, duty, deduction, withholding or other charges of whatever nature required by any Legal Requirement (i) to be paid by the Banks or (ii) to be withheld or deducted from any payment otherwise required hereby to be made by the Company to the Banks; provided, however, that the term "Tax" shall not include any taxes imposed upon the net income of the Banks by the United States, any political subdivision thereof or any other taxing authority.

"Termination Event" means (i) a Reportable Event, (ii) the termination of a Plan, or the filing of a notice of intent to terminate a Plan, or the treatment of a Plan amendment as a termination under ERISA Section 4041(c), (iii) the institution of proceedings to terminate a Plan under ERISA Section 4042 or (iv) the appointment of a trustee to administer any Plan under ERISA Section 4042.

"Total Debt to Capitalization Ratio" shall have the meaning assigned to such term in Section 5.03.

"Total Funded Debt" means all indebtedness for borrowed money and

shall include long-term indebtedness for borrowed money, the current maturities thereof, and other current obligations for borrowed money.

SECTION 7.02. Accounting Terms. All accounting terms used in this Agreement which are not otherwise defined herein shall be construed in accordance with generally accepted accounting principles unless otherwise expressly stated herein.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. Costs and Expenses. The Company will pay all out-of-pocket expenses incurred by the Banks in connection with the preparation of this Agreement and the Notes (whether or not the transactions hereby contemplated shall be consummated), the making of the Loans hereunder, the enforcement of the rights of the Banks in connection with this Agreement or with the Loans made or the Notes issued hereunder, including but not limited to, the reasonable fees and disbursements of special counsel for the Banks.

SECTION 8.02. Participations in Commitments and Notes.

(a) Each Bank may grant participations in all or any part of its Commitment, Loans and Notes; provided, however, no holder of any such participation shall be entitled to require such Bank to take or omit to take any action hereunder and no Bank shall, as among the Company and such Bank, be relieved of any of its obligations hereunder as a result of any such granting of a participation, but the participating Bank shall be entitled to rely on, and possess all rights under, any opinions, certificates, or other instruments delivered under or in connection with this Agreement.

(b) The Company authorizes each Bank to disclose to any participant (a "Transferee") and any prospective Transferee any and all financial and other information in such Bank's possession concerning the Company and its Subsidiaries which has been delivered to such Bank by the Company pursuant to this Agreement or which has been delivered to such Bank by the Company in connection with such Bank's credit evaluation of the Company prior to entering into this Agreement.

(c) If, pursuant to this Section 8.02, any interest in this Agreement or any Commitment, Loan or Note is transferred to any Transferee which is organized under the laws of any jurisdiction other than the United States or any state thereof, the transferor Bank shall cause such Transferee, concurrently with the effectiveness of such transfer, (i) to represent to the transferor Bank (for the benefit of the transferor Bank and the Company) that under applicable law and treaties no taxes will be required to be withheld by the Company or the transferor Bank with respect to any payments to be made to such Transferee in respect of the Loans, (ii) to furnish to the transferor Bank and the Company either U.S. Internal Revenue Service Form 4224 or U.S. Internal Revenue Service Form 1001 (wherein such Transferee claims entitlement to complete exemption from U.S. federal withholding tax on all interest payments hereunder) and (iii) to agree (for the benefit of the transferor Bank and the Company) to provide the transferor Bank and the Company a new Form 9224 or Form 1001 upon the obsolescence of any previously delivered form and comparable statements in accordance with applicable U.S. laws and regulations and amendments duly executed and completed by such Transferee, and to comply from time to time with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

SECTION 8.03. Several Obligations of Banks. The obligation of

each Bank to make the loans provided for herein is several, and neither Bank shall be liable in the event that the other Bank fails to make any loan it has agreed to make hereunder.

SECTION 8.04. Cumulative Rights and No Waiver. Each and every right granted to the Banks or either of them hereunder or under any other document delivered hereunder or in connection herewith, or allowed them or either of them by law or equity, shall be cumulative and may be exercised from time to time. No failure on the part of the Banks or either of them to exercise, and no delay in exercising, any right shall operate as a waiver thereof, nor shall any single or partial exercise by the Banks or either of them of any right preclude any other or future exercise thereof or the exercise of any other right.

SECTION 8.05. Notices. Any notice shall be conclusively deemed to have been received by a party hereto and be effective on the day on which delivered to such party at the address set forth below (or at such other address as such party shall specify to the other parties in writing) or if sent by registered or certified mail, on the third business day after the day on which mailed, addressed to such party at said address:

Owens & Minor, Inc.

If by hand or by courier:
4800 Cox Road
Glen Allen, Virginia 23060
Attn: Mr. Richard F. Bozard
Vice President and Treasurer

If by mail:
P. O. Box 27626
Richmond, Virginia 23261-7626
Attn: Mr. Richard F. Bozard
Vice President and Treasurer

Crestar Bank
919 East Main Street
P. O. Box 26665
Richmond, Virginia 23261
Attn: Mr. Brad H. Booker
Vice President

NationsBank of Virginia, N.A.
Fourth Floor Pavilion
1111 East Main Street
Richmond, Virginia 23277-0001
Attn: Mr. Robert Y. Bennett
Vice President

SECTION 8.06. Applicable Law. This Agreement and the Notes shall be construed in accordance with and governed by the laws of the Commonwealth of Virginia.

SECTION 8.07. Modifications. No modification, amendment or waiver of any provision of this Agreement, nor consent to any departure by the Company therefrom shall in any event be effective unless the same shall be in writing and signed by both of the Banks and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand upon the Company in any case shall entitle the Company to any other or further notice or demand in the same or similar circumstances.

SECTION 8.08. Survivorship. All covenants, agreements, representations and warranties made herein and in the certificates delivered pursuant hereto shall survive the making by the Banks of the Loans herein contemplated and the execution and delivery to the Banks of the Notes evidencing such Loans and shall continue in full force and effective so long as (i) any of the Notes is outstanding and unpaid or (ii) the Commitments have not expired or been terminated. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Company which are contained in this Agreement shall bind and inure to the benefit of the successors and assigns of the Banks.

SECTION 8.09. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

SECTION 8.10. Headings. Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

SECTION 8.11. Repayments in Bankruptcy. In the event any amount of the indebtedness of the Company to the Banks hereunder is paid by the Company and because of bankruptcy or other laws relating to creditors rights the Banks repay any such amounts to the Company or to any trustee, receiver or otherwise, then the amounts so repaid shall again become part of the Loans payable by the Company.

SECTION 8.12. Capital Adequacy. If, after the date hereof, either Bank shall have determined that the adoption of any law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by such Bank with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Bank's capital as a consequence of its obligations hereunder to a level below that which such Bank could have achieved but for such adoption, change or compliance, then from time to time, the Company shall pay to such Bank on demand such additional amount or amounts as will compensate such Bank for such reduction. A certificate of a Bank claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder and the basis therefor shall be prepared by such Bank and shall be conclusive in the absence of manifest error. In determining any such amount, the Bank may use any reasonable averaging and attribution methods.

ARTICLE IX

RELATIONSHIP BETWEEN BANKS

SECTION 9.01. Representations of Banks to Each Other. Each Bank represents and warrants to the other Bank (i) that the Loans made by it shall constitute loans made in the ordinary course of its commercial lending business, that it has made its own independent investigation of the financial condition and affairs of the Company and its Subsidiaries prior to entering into this Agreement and that it has made and will continue to make its own appraisal of the creditworthiness of the Company and its Subsidiaries, and (ii) that in entering into this Agreement, it has not relied upon any representation of the other Bank as to the financial condition, operations or creditworthiness of the Company or any Subsidiary. Neither Bank shall have any duty or responsibility now or hereafter to make any investigation or appraisal of the Company or any Subsidiary on behalf of the other Bank or to provide the other Bank with any credit or other information which may come to its attention now or hereafter, except as may be specifically required by the express terms of this Agreement.

SECTION 9.02. Set-Offs and Sharing of Payments. Each Bank shall have the right to set-off against all property of the Company now or at any time hereafter in such Bank's possession in any capacity whatever (including, without limitation, any balance or share of any deposit, trust or agency account) as security for all liabilities of the Company to such Bank. Each Bank agrees with the other Bank that in the event any deposit or other sum credited by or due from such Bank to the Company is applied to the indebtedness of the Company to such Bank at a time when the Company owes such Bank both indebtedness evidenced by a Note and indebtedness which is not evidenced by a Note, the Bank will apply to the indebtedness evidenced by the Note not less than that fraction of the total amount so applied that the principal amount evidenced by the Note represents of the total principal indebtedness of the Company to such Bank. Each Bank agrees that if it shall, through the exercise of a right of set-off against the Company, obtain payment in respect of the Note held by it as a result of which the ratio of the unpaid balance owing on the Note held by it to the unpaid balance which existed on such Note at the start of business on the date of such set-off is less than the ratio of the unpaid balance owing on the Note held by the other Bank to the unpaid balance which existed on such Note at the start of business on the date of such set-off, (i) it shall simultaneously purchase from such other Bank a participation in the Note or Notes held by such other Bank so that the aggregate unpaid principal amount of the Note and participations held by each Bank shall be in the same proportion to the aggregate unpaid principal amount of all Notes then outstanding as the unpaid principal amount of the Note held by it at the start of business on the date of such set-off was to the sum of the unpaid principal amount of all the Notes at the start of business on such date and (ii) such other adjustments shall be made from time to time as shall be equitable to ensure that both Banks share such payment as herein provided. Each Bank agrees that if it shall have accelerated the maturity of the Note held by it and the other Bank shall have accelerated the maturity of the Note held by it within two (2) Business Days from the date it first received notice from the other Bank that such Bank has accelerated its Note, and as a result of any voluntary payment by the Company or otherwise (except by set-off) on or after the Due Date (as hereinafter defined), it obtains payment in respect of the Note held by it, as a result of which the ratio of the unpaid balance owing on the Note held by it to the unpaid balance which existed on such Note at the start of business on the Due Date is less than the ratio of the unpaid balance owing on the Note held by the other Bank to the unpaid balance which existed on such Note at the start of business on the Due Date, (x) it shall simultaneously purchase from the other Bank a participation in the Note or Notes held by such Bank so that the aggregate unpaid principal amount of the Note and participations held by each Bank shall be in the same proportion to the aggregate unpaid principal amount of all Notes then outstanding as the unpaid principal amount of the Note held by it at the start of business on the Due Date was

to the sum of the unpaid principal amount of all the Notes at the start of business on the Due Date and (y) such other adjustments shall be made from time to time as shall be equitable to ensure that Banks share such payment as herein provided. For purposes of this Section 8.02, the "Due Date" shall mean the earliest date any Note became due in full, whether at the stated maturity thereof, by acceleration or otherwise. In the event that either Bank purchases a participation from the other Bank as a result of any set-off or payment under the provision of this Section 8.02 and is subsequently required to return all or any part of such set-off or payment to the Company or to a trustee for the Company, the Bank from which it has purchased a participation shall repurchase such participation to the extent of its share of such returned amount.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers as of the day and year first above written.

OWENS & MINOR, INC.

By:_____
Richard F. Bozard
Vice President
and Treasurer

Amount of
Commitment

CRESTAR BANK

$20,000,000

By:_____
Brad H. Booker
Vice President

NATIONSBANK OF VIRGINIA, N.A.

$20,000,000

By:_____
Robert Y. Bennett
Vice President

EXHIBIT A

[FORM OF NOTE]

$20,000,000 Richmond, Virginia
November 1, 1993

FOR VALUE RECEIVED, OWENS & MINOR, INC., a Virginia corporation (the "Company"), hereby promises to pay to the order of _____ (the "Bank"), at the principal office of the Bank at ____ East Main Street, Richmond, Virginia on the last day of the respective Interest Periods set forth on the grid schedule or grid schedules attached

hereto and made a part hereof, but in no event later than the Maturity Date as defined in the Credit Agreement (the "Credit Agreement") dated as of November 1, 1993, among the Company and the Banks described in the Credit Agreement, in lawful money of the United States of America, in immediately available funds, the principal amount of Twenty Million Dollars ($20,000,000) or, if less than such principal amount, the aggregate unpaid principal amount as shown on the grid schedule attached hereto of all Loans (as defined in the Credit Agreement) made by the Bank to the Company pursuant to the Credit Agreement, and to pay interest from the date hereof on the unpaid principal amount hereof, in like money, at said office, on the dates and at the rates selected in accordance with Article I of the Credit Agreement.

The Company promises to pay interest, payable on demand, on any overdue principal and, to the extent permitted by law, overdue interest from their due dates at a rate or rates determined as set forth in the Credit Agreement.

The Company hereby waives diligence, presentment, demand, protest and notice of any kind whatsoever. The nonexercise by the holder of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

All borrowings evidenced by this Note and all payments and prepayments of the principal hereof and interest hereon and the respective dates thereof shall be endorsed by the holder on the schedule attached hereto and made a part hereof, or on a continuation thereof which shall be attached hereto and made a part hereof; provided, however, that any failure to endorse such information on such schedule or continuation thereof shall not in any manner affect the obligation of the Company to make payments of principal and interest in accordance with the terms of this Note.

This Note is one of the Notes referred to in the Credit Agreement which, among other things, contains provisions for the acceleration of the maturity hereof upon the happening of certain events, for optional prepayment of the principal hereof prior to the maturity thereof and for the amendment or waiver of certain provisions of the Credit Agreement, all upon the terms and conditions therein specified. This Note shall be

construed in accordance with and governed by the laws of the Commonwealth of Virginia.

OWENS & MINOR, INC.

By_____
Title:

Loans and Payments

Name of Person Making Notation	Date	Type of Loan	Interest Period	Payments		Unpaid Principal Balance of Note
				Principal	Interest	
- --------	----	----	-------	---------	--------	----------

EXHIBIT B

[Letterhead of Drew St. J. Carneal]

November ___, 1993

Crestar Bank
919 East Main Street
Richmond, Virginia 23219

NationsBank of Virginia, N.A.
1111 East Main Street
Richmond, Virginia 23277-0001

Dear Sirs:

I am Senior Vice President, Corporate Counsel and Secretary of Owens & Minor, Inc. (the "Company"), a Virginia corporation, and have represented the Company in connection with the preparation, execution and delivery of the Credit Agreement dated as of November 1, 1993 (the "Credit Agreement"), among you (collectively, the "Banks") and the Company. Terms capitalized but not defined herein shall have the meanings given to them in the Credit Agreement.

In rendering the opinions expressed below, I have examined conformed copies of such corporate records, agreements and instruments of the Company, certificates of public officials and of officers of the Company and such other documents as I have deemed necessary as a basis for the opinions hereafter expressed. With respect to certain matters of fact, I have relied upon representations and certificates of the Company and its officers and upon certificates of public officials.

Based on the foregoing, I am of the opinion that:

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia; each Subsidiary is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization. Each of the Company and its Subsidiaries has the corporate power and authority to own its respective properties and to carry on its respective business as now conducted. The Company has the corporate power to execute, deliver and perform the Credit Agreement, to borrow thereunder and to execute, deliver and perform under the Notes.

2. The execution, delivery and performance of the Credit Agreement, the borrowings thereunder and the execution and delivery of the Notes have been duly authorized by all requisite corporate action on the part of the Company and will not violate any provision of law, the articles of incorporation or by-laws of the Company or any Subsidiary, and, to best of my knowledge, will not (i) violate (A) any applicable order of any court or other agency of government or (B) any indenture, any agreement for borrowed money, any bond, note or other similar instrument or any other material agreement to which the Company or any Subsidiary is a party or by which any of them or their respective properties are bound, (ii) be in conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement, bond, note, instrument or other material agreement or (iii) result in the creation or imposition of any lien, charge or encumbrance of any nature upon any property or assets of the Company or any Subsidiary.

3. No action, consent or approval of, or registration or filing with, or any other action by any governmental agency, bureau, commission or court, or of stockholders, is required in connection with the execution, delivery and performance by the Company of the Credit Agreement, the borrowings thereunder or the execution, delivery and performance of the

Notes.

4. To the best of my knowledge, there are no actions, suits or proceedings at law or in equity or by or before any governmental instrumentality or other agency now pending or, threatened against or affecting the Company or any of the Subsidiaries or any property or rights of the Company or any of the Subsidiaries as to which there is a reasonable possibility of an adverse determination and which, if adversely determined, would individually or in the aggregate materially impair the ability of the Company to perform under the terms of the Credit Agreement or the Notes, or otherwise to carry on business substantially as now being conducted or would result in any material adverse change in the business, assets or condition (financial or otherwise) of the Company or, on a consolidated basis, of the Company and the Subsidiaries.

5. To the best of my knowledge, neither the Company nor any of its Subsidiaries is in default with respect to any judgment, writ, injunction, decree, rule or regulation of any governmental instrumentality or other agency where such default could have a material and adverse effect on the financial condition of the Company or of the Company and the Subsidiaries taken as a whole.

6. The Credit Agreement and the Notes have been duly authorized, executed and delivered by the Company and constitute legal, valid and binding obligation of the Company, enforceable in accordance with the respective terms of each, subject, as to enforcement, to equitable principles and applicable bankruptcy, reorganization, insolvency and similar laws affecting creditors' rights generally and to moratorium laws from time to time in effect.

Very truly yours,

OWENS & MINOR, INC.

1993 STOCK OPTION PLAN

OWENS & MINOR, INC.
1993 STOCK OPTION PLAN

ARTICLE I

DEFINITIONS

1.01. Administrator means the Committee and any delegate of the Committee that is appointed in accordance with Article III.

1.02. Affiliate means any "subsidiary or "parent" corporation (within the meaning of Section 424 of the Code) of the Company.

1.03. Agreement means a written agreement (including any amendment or supplement thereto) between the Company and a Participant specifying the terms and conditions of an Option or SAR granted to such Participant.

1.04. Board means the Board of Directors of the Company.

1.05. Change of Control means that (i) a third person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, acquires shares of the Company having 20% or more of the total number of votes that may be cast for the election of the Board; or (ii) as the result of any cash tender or exchange offer, merger or other business combination, sale of assets or contested election, or any combination of the foregoing transactions (a "Transaction"), the persons who were directors of the Company before the Transaction shall cease to constitute a majority of the Board or of any successor to the Company.

1.06. Code means the Internal Revenue Code of 1986, and any amendments thereto.

1.07. Committee means the Compensation Committee of the Board.

1.08. Common Stock means the Common Stock of the Company.

1.09. Company means Owens & Minor, Inc.

1.10. Corresponding SAR means an SAR that is granted in relation to a particular Option and that can be exercised only upon the surrender to the Company, unexercised, of that portion of the Option to which the SAR relates.

1.11. Fair Market Value means, on any given date, the closing price of a share of Common Stock as reported on the New York Stock Exchange composite tape on such date, or if the Common Stock was not traded on the New York Stock Exchange on such day, then on the next preceding day that the Common Stock was traded on such exchange, all as reported by such source as the Administrator may select.

1.12. Option means a stock option that entitles the holder to

purchase from the Company a stated number of shares of Common Stock at the price set forth in an Agreement.

1.13. Participant means an employee of the Company or an Affiliate, including an employee who is a member of the Board, or an individual who provides services to the Company or an Affiliate who satisfies the requirements of Article IV and is selected by the Administrator to receive an Option, an SAR, or a combination thereof.

1.14. Plan means the Owens & Minor, Inc. 1993 Stock Option Plan.

1.15. SAR means a stock appreciation right that entitles the holder to receive, with respect to each share of Common Stock encompassed by the exercise of such SAR, the amount determined by the Administrator and specified in an Agreement. In the absence of such a determination, the holder shall be entitled to receive, with respect to each share of Common Stock encompassed by the exercise of such SAR, the excess of the Fair Market Value on the date of exercise over the Fair Market Value on the date of grant. References to "SARs" include both Corresponding SARs and SARs granted independently of Options, unless the context requires otherwise.

1.16. Ten Percent Shareholder means any individual owning more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of an Affiliate. An individual shall be considered to own any voting stock owned (directly or indirectly) by or for his brothers, sisters, spouse, ancestors or lineal descendants and shall be considered to own proportionately any voting stock owned (directly or indirectly) by or for a corporation, partnership, estate or trust of which such individual is a shareholder, partner or beneficiary.

ARTICLE II

PURPOSES

The Plan is intended to assist the Company in recruiting and retaining employees with ability and initiative by enabling such persons to participate in its future success and to associate their interests with those of the Company and its shareholders. The Plan is intended to permit the grant of SARs and the grant of both Options qualifying under Section 422 of the Code ("incentive stock options") and Options not so qualifying. No Option that is intended to be an incentive stock option shall be invalid for failure to qualify as an incentive stock option. The proceeds received by the Company from the sale of Common Stock pursuant to this Plan shall be used for general corporate purposes.

ARTICLE III

ADMINISTRATION

The Plan shall be administered by the Administrator. The Administrator shall have authority to grant Options and SARs upon such terms (not inconsistent with the provisions of this Plan) as the Administrator may consider appropriate. Such terms may include conditions (in addition to those contained in this Plan) on the exercisability of all or any part of an Option or SAR. Notwithstanding any such conditions, the Administrator may, in its discretion, accelerate the time at which any Option or SAR may be exercised. Furthermore, each outstanding Option and SAR shall become immediately and fully exercisable (in whole or in part at the discretion of the holder) in the event of a Change in Control and during the period (i) beginning on the first day following any tender offer or exchange offer for shares of Common Stock (other than one made by the Company) provided that

shares of Common Stock are acquired pursuant to such offer and (ii) ending on the thirtieth day following the expiration of such offer. In addition, the Administrator shall have complete authority to interpret all provisions of this Plan; to prescribe the form of Agreements; to adopt, amend, and rescind rules and regulations pertaining to the administration of the Plan; and to make all other determinations necessary or advisable for the administration of this Plan. The express grant in the Plan of any specific power to the Administrator shall not be construed as limiting any power or authority of the Administrator. Any decision made, or action taken, by the Administrator or in connection with the administration of this Plan shall be final and conclusive. Neither the Administrator or any member of the Committee shall be liable for any act done in good faith with respect to this Plan or any Agreement, or the grant of any Option or SAR. All expenses of administering this Plan shall be borne by the Company.

The Committee, in its discretion, may delegate to one or more officers of the Company all or part of the Committee's authority and duties with respect to grants and awards to individuals who are not subject to the reporting and other provisions of Section 16 of the Securities Exchange Act of 1934, as in effect from time to time. The Committee may revoke or amend the terms of a delegation at any time but such action shall not invalidate any prior actions of the Committee's delegate or delegates that were consistent with the terms of the Plan.

ARTICLE IV

ELIGIBILITY

4.01. General. Any employee of the Company or an Affiliate (including a corporation that becomes an Affiliate after the adoption of this Plan) is eligible to participate in this Plan if the Administrator, in its sole discretion, determines that such person has contributed significantly or can be expected to contribute significantly to the profits or growth of the Company or an Affiliate. Directors of the Company who are employees of the Company or an Affiliate may be selected to participate in this Plan. A member of the Committee may not participate in this Plan during the time that his participation would prevent the Committee from being "disinterested" for purposes of Securities and Exchange Commission Rule 16b-3 as in effect from time to time.

4.02. Grants. The Administrator will designate individuals to whom Options and SARs are to be granted and will specify the number of shares of Common Stock subject to each grant. An Option may be granted with or without a related SAR. An SAR may be granted with or without a related Option. All Options and SARs granted under this Plan shall be evidenced by Agreements which shall be subject to applicable provisions of this Plan and to such other provisions as the Administrator may adopt. No Participant may be granted incentive stock options or related SARs (under all incentive stock option plans of the Company and its Affiliates) which are first exercisable in any calendar year for stock having an aggregate Fair Market Value (determined as of the date an Option is granted) that exceeds $100,000. The preceding annual limitation shall not apply with respect to Options that are not incentive stock options.

ARTICLE V

STOCK SUBJECT TO OPTIONS

Upon the exercise of any Option or SAR, the Company may deliver to the Participant (or the Participant's broker if the Participant so directs), shares from its authorized but unissued Common Stock. The maximum aggregate number of shares of Common Stock that may be issued pursuant to the exercise of Options and SARs under this Plan is 1,500,000. The maximum aggregate

number of shares of Common Stock that may be issued under this Plan shall be subject to adjustment as provided in Article X. If an Option is terminated, in whole or in part, for any reason other than its exercise or the exercise of a Corresponding SAR, the number of shares of Common Stock allocated to the Option or portion thereof may be reallocated to other Options and SARs to be granted under this Plan. If an SAR is terminated, in whole or in part, for any reason other than its exercise or the exercise of a related Option, the number of shares of Common Stock allocated to the SAR or portion thereof may be reallocated to other Options and SARs to be granted under this Plan.

ARTICLE VI

OPTION PRICE

The price per share for Common Stock purchased on the exercise of an Option shall be determined by the Administrator on the date of grant; provided, however, that the price per share for Common Stock purchased on the exercise of any Option that is an incentive stock option shall not be less than the Fair Market Value on the date the Option is granted and provided further that the price per share shall not be less than 110% of such Fair Market Value in the case of an incentive stock option granted to a Participant who is a Ten Percent Shareholder on the date such incentive stock option is granted.

ARTICLE VII

EXERCISE OF OPTIONS

7.01. Maximum Option or SAR Period. The maximum period in which an Option or SAR may be exercised shall be determined by the Administrator on the date of grant, except that no Option that is an incentive stock option or its Corresponding SAR shall be exercisable after the expiration of ten years from the date such Option or Corresponding SAR was granted. In the case of an incentive stock option or its Corresponding SAR that is granted to a participant who is a Ten Percent Shareholder, such Option and Corresponding SAR shall not be exercisable after the expiration of five years from the date of grant. The terms of any Option that is an incentive stock option or Corresponding SAR may provide that it is exercisable for a period less than such maximum period.

7.02. Nontransferability. An Option or SAR granted under this Plan shall be nontransferable except by will or by the laws of descent and distribution. In the event of any such transfer, the Option and any Corresponding SAR that relates to such Option must be transferred to the same person or person(s). During the lifetime of the Participant to whom the Option or SAR is granted, the Option or SAR may be exercised only by the Participant. No right or interest of a Participant in any Option or SAR shall be liable for, or subject to, any lien, obligation, or liability of such Participant.

7.03. Employee Status. For purposes of determining the applicability of Section 422 of the Code (relating to incentive stock options), or in the event that the terms of any Option or SAR provide that it may be exercised only during employment or continued service or within a specified period of time after termination of employment or service, the Administrator may decide to what extent leaves of absence for governmental or military service, illness, temporary disability, or other reasons shall not be deemed interruptions of continuous employment or service.

ARTICLE VIII

METHOD OF EXERCISE

8.01. Exercise. Subject to the provisions of Articles VII and X, an Option or SAR may be exercised in whole at any time or in part from time to time at such times and in compliance with such requirements as the Administrator shall determine; provided, however, that a Corresponding SAR that is related to an incentive stock option may be exercised only to the extent that the related Option is exercisable and when the Fair Market Value exceeds the option price of the related Option. An Option or SAR granted under this Plan may be exercised with respect to any number of whole shares less than the full number for which the Option or SAR could be exercised. A partial exercise of an Option or SAR shall not affect the right to exercise the Option or SAR from time to time in accordance with this Plan and the applicable Agreement with respect to the remaining shares subject to the Option or related to the SAR. The exercise of either an Option or Corresponding SAR shall result in the termination of the other to the extent of the number of shares with respect to which the Option or Corresponding SAR is exercised.

8.02. Payment. Unless otherwise provided by the Agreement, payment of the Option price shall be made in cash or a cash equivalent acceptable to the Administrator. If the Agreement provides, payment of all or part of the Option price may be made by surrendering shares of Common Stock to the Company. The total amount of cash or cash equivalent paid and the Fair Market Value (determined as of the day preceding the date of exercise) of any Common Stock surrendered shall not be less than the aggregate option price for the number of shares for which the option is being exercised.

8.03. Determination of Payment of Cash and/or Common Stock Upon Exercise of SAR. At the Administrator's discretion, the amount payable as a result of the exercise of an SAR may be settled in cash, Common Stock, or a combination of cash and Common Stock. No fractional share shall be deliverable upon the exercise of an SAR but a cash payment will be made in lieu thereof.

8.04. Shareholder Rights. No Participant shall have any rights as a stockholder with respect to shares subject to his Option or SAR until the date of exercise of such Option or SAR.

ARTICLE IX

ADJUSTMENT UPON CHANGE IN COMMON STOCK

The maximum number of shares as to which Options and SARs may be granted under this Plan shall be proportionately adjusted, and the terms of outstanding Options and SARs shall be adjusted, as the Administrator shall determine to be equitably required in the event that (a) the Company (i) effects one or more stock dividends, stock split-ups, subdivisions or consolidations of shares or (ii) engages in a transaction to which Section 424 of the Code applies or (b) there occurs any other event which, in the judgment of the Administrator necessitates such action. Any determination made under this Article IX by the Administrator shall be final and conclusive.

The issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other

securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, outstanding Options or SARs.

The Administrator may grant Options and may grant SARs in substitution for stock awards, stock options, stock appreciation rights, or similar awards held by an individual who becomes an employee of the Company or an Affiliate in connection with a transaction described in the first paragraph of this Article IX. Notwithstanding any provision of the Plan (other than the limitation of Article V), the terms of such substituted Option or SAR grants shall be as the Administrator, in its discretion, determines is appropriate.

ARTICLE X

COMPLIANCE WITH LAW AND APPROVAL OF REGULATORY BODIES

No Option or SAR shall be exercisable, no Common Stock shall be issued, no certificates for shares of Common Stock shall be delivered, and no payment shall be made under this Plan except in compliance with all applicable federal and state laws and regulations and any listing agreement to which the Company is a party and the rules of all domestic stock exchanges on which the Company's shares may be listed. The Company shall have the right to rely on an opinion of its counsel as to such compliance. Any share certificate issued to evidence Common Stock for which an Option or SAR is exercised may bear such legends and statements as the Administrator may deem advisable to assure compliance with federal and state laws and regulations. No Option or SAR shall be exercisable, no Common Stock shall be issued, no certificate for shares shall be delivered, and no payment shall be made under this Plan until the Company has obtained such consent or approval as the Administrator may deem advisable from regulatory bodies having jurisdiction over such matters.

ARTICLE XI

GENERAL PROVISIONS

11.01. Effect on Employment. Neither the adoption of this Plan, its operation, nor any documents describing or referring to this Plan (or any part thereof) shall confer upon any individual any right to continue in the employ of the Company or an Affiliate or in any way affect any right and power of the Company or an Affiliate to terminate the employment of any individual at any time with or without assigning a reason therefor.

11.02. Unfunded Plan. The Plan, insofar as it provides for grants, shall be unfunded, and the Company shall not be required to segregate any assets that may at any time be represented by grants under this Plan. Any liability of the Company to any person with respect to any grant under this Plan shall be based solely upon any contractual obligations that may be created pursuant to this Plan. No such obligation of the Company shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Company.

11.03. Disposition of Stock. A Participant shall notify the Administrator of any sale or other disposition of Common Stock acquired pursuant to an Option that was an incentive stock option if such sale or disposition occurs (i) within two years of the grant of an Option or (ii) within one year of the issuance of the Common Stock to the Participant. Such notice shall be in writing and directed to the Secretary of the Company.

11.04. Tax Withholding. Each Participant shall be responsible for

satisfying any income and employment tax withholding obligation attributable to participation in this Plan. In accordance with procedures established by the Administrator, a Participant may surrender shares of Common Stock, or receive fewer shares of Common Stock than otherwise would be issued, in satisfaction of all or part of such withholding tax obligation.

11.05. Rules of Construction. Headings are given to the articles and sections of this Plan solely as a convenience to facilitate reference. The reference to any statute, regulation, or other provision of law shall be construed to refer to any amendment to or successor of such provision of law.

ARTICLE XII

AMENDMENT

The Board may amend or terminate this Plan from time to time; provided, however, that no amendment may become effective until shareholder approval is obtained if (i) the amendment increases the aggregate number of shares of Common Stock that may be issued under the Plan or (ii) the amendment changes the class of individuals eligible to become Participants. No amendment shall, without a Participant's consent, adversely affect any rights of such Participant under any Option or SAR outstanding at the time such amendment is made.

ARTICLE XIII

DURATION OF PLAN

No Option or SAR may be granted under this Plan more than five years after the earlier of the date that the Plan is adopted by the Board or the date that the Plan is approved by shareholders as provided in Article XIV. Options and SARs granted before that date shall remain valid in accordance with their terms.

ARTICLE XIV

EFFECTIVE DATE OF PLAN

Options and SARs may be granted under this Plan upon its adoption by the Board, provided that no Option or SAR will be exercisable unless this Plan is approved by a majority of the votes entitled to be cast by the Company's shareholders, voting either in person or by proxy, at a duly held shareholders' meeting within twelve months of such adoption.

OWENS & MINOR, INC.

1993 DIRECTORS' COMPENSATION PLAN

INTRODUCTION

The Owens & Minor, Inc. 1993 Directors' Compensation Plan (the Plan) was adopted by the Board of Directors on February 25, 1993, subject to the approval of the Plan by the Company's shareholders. Three programs comprise the Plan: the Stock Option Program, the Deferred Fee Program and the Stock Purchase Program.

The Stock Option Program provides for the automatic grant of Options to purchase Common Stock. Options are granted on an annual basis and are subject to the terms and conditions prescribed by the Plan. Participation in the Stock Option Program is automatic.

The Deferred Fee Program allows Participants to defer the receipt of all or part of their Retainer Fee, Meeting Fees or both in accordance with Revenue Ruling 71-419, 1971-2 C.B. 220. Participation in the Deferred Fee Program is voluntary.

The Stock Purchase Program allows Participants to receive all or part of their Retainer Fee, Meeting Fees or both (to the extent such amounts are not deferred under the Deferred Fee Program), in the form of Common Stock. Participation in the Stock Purchase Program is voluntary.

The Plan is intended to assist the Company in promoting a greater identity of interest between Participants and the Company and its shareholders. The Plan is also intended to assist the Company in attracting and retaining non-employee Directors by affording them an opportunity to share in the future success of the Company.

Table of Contents

1993 DIRECTOR'S COMPENSATION PLAN

ARTICLE I

DEFINITIONS

1.01. Account means an unfunded deferred compensation account established by the Company pursuant to the Deferred Fee Program, consisting of one or more Subaccounts established in accordance with Section 4.05.

1.02. Agreement means a written agreement (including any amendment or supplement thereto) between the Company and a Participant specifying the terms and conditions of an Option granted to such Participant.

1.03. Allocation Date means any date on which an amount representing all or a part of a Participant's Compensation is to be credited to his or her Account pursuant to an effective deferral election. The Allocation Date for the Retainer Fee shall be the first day of each calendar quarter and for Meeting Fees shall be the first day of the month following the meeting.

1.04. Beneficiary means any person or entity designated as such in a current Election Form. If there is no valid designation or if no designated Beneficiary survives the Participant, the Beneficiary is the Participant's estate.

1.05. Board means the Board of Directors of the Company.

1.06. Code means the Internal Revenue Code of 1986, and any amendments thereto.

1.07. Committee means the Compensation Committee of the Board.

1.08. Common Stock means the Common Stock of the Company.

1.09. Common Stock Account means the Subaccount whose value shall be based on the value of units representing shares of Common Stock and dividend equivalents.

1.10. Company means Owens & Minor, Inc.

1.11. Compensation means the sum of the Retainer Fee and the Meeting Fees payable by the Company to each Participant, including any additional amount paid to a chairman of a committee for additional services.

1.12. Deferred Amount means the amount (determined as a percentage of the Retainer Fee and the Meeting Fees) subject to a current deferral election.

1.13. Deferred Fee Program means the provisions of the Plan that permit Participants to defer all or part of their Compensation.

1.14. Disability means permanent and total disability as determined under procedures established by the Committee for purposes of the Plan.

1.15. Distribution Date means the date designated by a Participant or Retired Participant in accordance with Sections 4.10 and 4.11 for the commencement of payment of amounts credited to his or her Account.

1.16. Election Date means the date an Election Form is received by the Secretary of the Company.

1.17. Election Form means a valid Deferred Fee Program initial Election Form or modified Election Form (in the forms approved by the

Committee) properly completed and signed.

1.18. Extraordinary Distribution Request Date means the date an Extraordinary Distribution Request Form is received by the Secretary of the Company.

1.19. Extraordinary Distribution Request Form means the Deferred Fee Program Extraordinary Distribution Request Form (in the form approved by the Committee) properly completed and executed by a Participant or Beneficiary who wishes to request an extraordinary distribution of amounts credited to his or her Account in accordance with Section 4.12.

1.20. Fair Market Value means, on any given date, the closing price of a share of Common Stock as reported on the New York Stock Exchange composite tape on such date, or if the Common Stock was not traded on the New York Stock Exchange on such day, then on the next preceding day that the Common Stock was traded on such exchange, all as reported by in the Wall Street Journal.

1.21. Meeting Fees means the portion of a Participant's Compensation that is based upon his or her attendance at Board meetings and meetings of committees of the Board.

1.22. Option means a stock option that entitles the holder to purchase from the Company a stated number of shares of Common Stock at the price set forth in an Agreement.

1.23. Participant means a member of the Board who is not then an employee or officer of the Company. For purposes of the Deferred Fee Program only, a Participant shall also include a person who ceases to be a member of the Board as long as an Account is being maintained for his or her benefit.

1.24. Plan means the Owens & Minor, Inc. 1993 Director's Compensation Plan.

1.25. Retainer Fee means the portion of a Participant's Compensation that is fixed and paid without regard to his or her attendance at meetings.

1.26. Stock Option Program means the provisions of the Plan relating to Options.

1.27. Stock Purchase Program means the provisions of the Plan that permit Participants to purchase Common Stock with all or part of their Compensation.

1.28. Stock Purchase Election means a Participant's election to receive all or part of his or her Compensation in the form of Common Stock in accordance with the Stock Purchase Program.

1.29. Stock Purchase Election Form means a valid initial Stock Purchase Program election form or a modified Stock Purchase Program election form (in the forms approved by the Committee) properly completed and signed.

ARTICLE II

ADMINISTRATION

The Plan shall be administered by the Committee. The Committee shall grant Options in accordance with the Plan and upon such terms (not inconsistent with the provisions of this Plan) as the Committee may consider appropriate. In addition, the Committee shall have complete authority to interpret all provisions of this Plan; to prescribe the form of Agreements and to approve the other forms that are appropriate for use in conjunction with the Plan; to adopt, amend, and rescind rules and regulations pertaining

to the administration of the Plan; and to make all other determinations necessary or advisable for the administration of this Plan. The express grant in the Plan of any specific power to the Committee shall not be construed as limiting any power or authority of the Committee. Any decision made, or action taken, by the Committee or in connection with the administration of this Plan shall be final and conclusive. No member of the Committee shall be liable for any act done in good faith with respect to this Plan. All expenses of administering this Plan shall be borne by the Company.

ARTICLE III

STOCK OPTION PROGRAM

3.01. Option Grants. During the term of the Plan and subject to the limitation set forth in Section 3.07, each Participant will be granted an Option for 1,688 shares of Common Stock at the first meeting of the Board following each annual meeting of the Company's shareholders during the term of this Plan. All Options granted under this Plan will be evidenced by Agreements which shall be subject to the applicable provisions of the Plan.

3.02. Option Price. The price per share for Common Stock purchased on the exercise of an Option shall be the Fair Market Value of the Common Stock on the date the Option is granted.

3.03. Maximum Option Period. The maximum period in which an Option may be exercised shall be five years from the date of grant; provided, however, that if the Participant ceases to be a member of the Board, the Option may be exercised for one year following the date he or she ceases to be a member of the Board, or until the expiration of the Option period, whichever is shorter. In the event of the Participant's death while he or she is a member of the Board, the Option may be exercised by the Participant's estate or by such person or persons who succeed to Participant's rights by will or the laws of descent and distribution for one year following the Participant's date of death or until the expiration of the Option period, whichever is shorter.

3.04. Exercise. Subject to the provisions of Section 3.03 and Article VIII, an Option may be exercised in whole at any time or in part from time to time on and after the date of grant. An Option may be exercised with respect to any number of whole shares less than the full number for which the Option could be exercised. A partial exercise of an Option shall not affect the right to exercise the Option from time to time in accordance with this Plan and the applicable Agreement with respect to the remaining shares subject to the Option.

3.05. Payment of Option Price. Payment of the Option price shall be made in cash or a cash equivalent acceptable to the Committee or by surrendering shares of Common Stock to the Company. The total amount of cash or cash equivalent paid and the Fair Market Value (determined as of the day preceding the date of exercise) of any Common Stock surrendered shall not be less than the aggregate option price for the number of shares for which the option is being exercised.

3.06. Shareholder Rights. No Participant shall have any rights as a shareholder with respect to shares subject to his or her Option until the date of exercise of such Option.

3.07. Stock Subject to Options. Upon the exercise of any Option, the Company may deliver to the Participant (or the Participant's broker if the Participant so directs), shares from its authorized but unissued Common Stock. The maximum aggregate number of shares of Common Stock that may be issued pursuant to the exercise of Options under this Plan is 150,000. The maximum aggregate number of shares of Common Stock that may be issued under this Plan shall be subject to adjustment as provided in Article VII. If an

Option is terminated, in whole or in part, for any reason other than its exercise, the number of shares of Common Stock allocated to the Option or portion thereof may be reallocated to other Options to be granted under this Plan.

ARTICLE IV
DEFERRED FEE PROGRAM

4.01. Deferral Elections. (a) A Participant may make a Deferral Election with respect to all or a part of his or her Compensation to be earned and payable thereafter by completing and executing an Election Form and submitting it to the Secretary of the Company. A deferral election relating to a Retainer Fee shall be in integral multiples of twenty-five percent (25%) of the Retainer Fee. A deferral election relating to Meeting Fees shall be in integral multiples of twenty-five percent (25%) of each Meeting Fee.

(b) In accordance with the terms of the Plan, the Participant shall indicate on the Election Form: (i) the percentage of the Retainer Fee and the percentage of the Meeting Fee that he or she wishes to defer; (ii) the Distribution Date; (iii) whether distributions are to be in a lump sum, in installments or a combination thereof; (iv) the Participant's Beneficiary or Beneficiaries; and (v) the subaccounts to which the Deferred Amount is to be allocated.

(c) A deferral election shall become effective with respect to a Participant's Retainer Fee accruing on and after the first day of the calendar quarter following the Election Date. A deferral election shall become effective with respect to a Participant's Meeting Fees accruing on and after the first day of the calendar month following the Election Date. A deferral election shall remain in effect with respect to all future Compensation until a new deferral election made by the Participant in accordance with Section 4.02 or Section 4.03 becomes effective.

4.02. Deferral Election Modifications. A Participant may modify his or her deferral election with respect to Compensation to be earned and payable thereafter by completing and executing a new Election Form and submitting it to the Secretary of the Company. An election to increase the amount of future Compensation to be deferred shall become effective with respect to a Participant's Retainer Fee accruing on and after the first day of the calendar quarter following the Election Date. An election to increase the amount of future Compensation deferred shall become effective with respect to a Participant's Meeting Fees accruing on and after the first day of the calendar month following the Election Date. Subject to Section 4.03, an election to decrease the amount of future Compensation to be deferred shall become effective with respect to Compensation accruing on and after the later of (i) January 1 of the year following the Election Date or (ii) the first day of the second calendar quarter following the Election Date. Notwithstanding the foregoing, to the extent any such modification of a deferral election affects the Common Stock Account, it shall not become effective until the first day of the calendar month that is at least six months after the Election Date. Any amount credited to a Participant's Account prior to such effective date will continue to be subject to the provisions of the Participant's last valid Election Form.

4.03. Cessation of Deferrals. A Participant may cease to defer future Compensation by completing and executing a new Election Form, and submitting it to the Secretary of the Company. An election by a Participant to cease deferrals in the Deferred Fee Program shall become effective with respect to Compensation accruing on or after the later of (i) January 1 of the year following the Election Date or (ii) the first day of the second calendar quarter following the Election Date. Notwithstanding the foregoing, to the extent such election affects the Common Stock Account, it shall not become effective until the first day of the calendar month that is at least six months after the Election Date. Any amounts credited to a Participant's

Account prior to such effective date will continue to be subject to the provisions of the Participant's last valid Election Form.

4.04. Beneficiary Election Modification. A Participant shall be permitted at any time to modify his or her Beneficiary designation, effective as of the Election Date, by completing and executing a new Election Form and submitting it to the Secretary of the Company.

4.05. Investments. (a) The Company shall establish an Account (for bookkeeping purposes only), for each Participant and for each Beneficiary to whom installment distributions are being made. On each Allocation Date, the Company shall allocate to each Participant's Account an amount equal to his Deferred Amount.

(b) The Company shall establish within each Account one or more Subaccounts, which shall be credited with earnings and charged with losses, if any. One Subaccount shall be the Common Stock Account. The other Subaccounts, if any, shall be designated by the Committee from time to time.

(c) Subject to the provisions of Sections 4.06 and 4.07, on each Allocation Date, each Participant's Subaccount shall be credited with an amount equal to the Deferred Amount designated by the Participant for allocation to such Subaccounts. Each Subaccount shall be credited with earnings and charged with losses as if the amounts allocated thereto actually had been invested in the investment designated as that subaccount.

4.06. Investment Directions. In connection with his or her initial deferral election, each Participant shall make an investment direction on his or her Election Form with respect to the portion of such Participant's Deferred Amount that is to be allocated to each Subaccount of the Participant's Account. Any apportionment of Deferred Amounts (and of increases or decreases in Deferred Amounts) among the Subaccounts shall be in integral multiples of ten percent (10%). An investment direction shall become effective with respect to a Subaccount other than the Common Stock Account on the first day of the calendar month following the Election Date. An investment direction shall become effective with respect to the Common Stock Account on the later to occur of (i) the first day of the calendar month that occurs six months after the relevant Election Date and (ii) October 1, 1993. All investment directions shall be irrevocable and shall remain in effect with respect to all future Deferred Amounts until a new irrevocable investment direction made by the Participant in accordance with Section 4.07 becomes effective.

4.07. New Investment Directions. A Participant may make a new investment direction with respect to his or her Deferred Amount only by completing and executing a new Election Form and submitting it to the Secretary of the Company. A new investment direction shall become effective with respect to a Subaccount other than the Common Stock Account on the first day of the calendar month following the Election Date. A new investment direction shall become effective with respect to the Common Stock Account on the later to occur of (i) the first day of the calendar month that is at least six months after the relevant Election Date and (ii) October 1, 1993.

4.08. Investment Transfers. A Participant or a Beneficiary (after the death of the Participant) may transfer to one or more different Subaccounts all or a part (in integral multiples of ten percent (10%)) of the amounts credited to a Subaccount by completing and executing a Transfer Form and submitting it to the Secretary of the Company. Any transfer of amounts

among the Subaccounts and, unless the person requesting the transfer is then subject to Section 16 of the Exchange Act, the Common Stock Account, shall become effective on the first day of the calendar month following the Transfer Election Date. Any transfer to or from the Common Stock Account requested by a person who is then subject to Section 16 of the Exchange Act shall become effective on the first day of the calendar month that is at least six months after the Transfer Election Date, but in no event, prior to October 1, 1993.

4.09. Pre-October 1, 1993 Restrictions. Notwithstanding the foregoing, prior to October 1, 1993, each Participant will be permitted to make no more than one investment direction involving the Common Stock Account.

4.10. Distribution Elections. (a) Each Participant shall designate on his or her Election Form one of the following dates as a Distribution Date with respect to amounts credited to his or her Account thereafter: (i) the first day of the calendar month following the date of the Participant's death; (ii) the first day of the calendar month following the date of the Participant's Disability; (iii) the first day of the calendar month following the date of termination of the Participant's service as a member of the Board; (iv) the first day of a calendar month specified by the Participant which is at least six months after the Election Date; or (v) the earliest to occur of (i), (ii), (iii) or (iv). A Distribution Date election shall become effective on the Election Date.

(b) A Participant may request on his or her Election Form that distributions from his or her Account be made in (i) a lump sum, (ii) no more than one-hundred eighty (180) monthly, sixty (60) quarterly or fifteen (15) annual installments or (iii) a combination of (i) and (ii). Each installment shall be determined by dividing the Account balance by the number of remaining installments. If a Participant receives a distribution from a Subaccount on an installment basis, amounts remaining in such Subaccount before payment shall continue to accrue earnings and incur losses in accordance with the terms of Section 4.05. Except as stated in Section 4.10(c), all distributions shall be made to the Participant.

(c) If the Distribution Date is the first day of the month following the Participant's death or a fixed date which in fact occurs after the Participant's death or if at the time of death the Participant was receiving distributions in installments, the balance remaining in the Participant's Account shall be payable to his or her Beneficiaries as set forth on the Participant's current Election Form or Forms. Upon the death of a Beneficiary who is receiving distributions in installments, the balance remaining in the Account of the Beneficiary shall be payable to his or her estate in a lump sum.

(d) All distributions shall be paid in cash and, except as provided in Section 4.12, shall be deemed to have been made from each Subaccount pro rata.

4.11. Modified Distribution Elections. A Participant may modify his or her election as to the Distribution Date and form of distribution with respect to Compensation to be earned and payable thereafter by completing and executing a new Election Form and submitting it to the Secretary of the Company. Any new Distribution Date or form of distribution election shall become effective on the Election Date.

4.12. Extraordinary Distributions. (a) Notwithstanding the foregoing, a Participant or Beneficiary (after the death of the Participant) may request an extraordinary distribution of all or part of the amount credited to his or her Account on account of hardship. A distribution shall be deemed to be "on account of hardship" if such distribution is necessary to alleviate or satisfy an immediate and heavy financial need of the Participant

or Beneficiary (after the death of the Participant).

(b) A request for an extraordinary distribution shall be made by completing and executing an Extraordinary Distribution Request Form and submitting it to the Secretary of the Company. All extraordinary distributions shall be subject to approval by the Committee. The Extraordinary Distribution Request Form shall indicate: (i) the amount to be distributed from the Account; (ii) the Subaccount(s) from which the distribution is to be made; and (iii) the "hardship" requiring the distribution. The amount of any extraordinary distribution shall not exceed the lesser of the amount determined by the Committee to be required to meet the immediate financial need of the applicant or the amount credited to the Participant's Account.

(c) An extraordinary distribution shall be made with respect to amounts credited to any of the Subaccounts, if the recipient is not then subject to Section 16 of the Exchange Act, on the first day of the calendar month next following approval of the extraordinary distribution request by the Committee. An extraordinary distribution requested by a Participant who is then subject to Section 16 of the Exchange Act shall commence with respect to amounts credited to the Common Stock Account on the first day of the calendar month that is at least six months following the Extraordinary Distribution Request Date or, if later, the first day of the calendar month following approval of the extraordinary distribution request by the Committee.

ARTICLE V

STOCK PURCHASE PROGRAM

5.01. Common Stock Purchase. (a) A Participant may make a Stock Purchase Election with respect to all or part of his or her Compensation to be earned and payable thereafter (other than Compensation that is deferred under Article IV), by completing and executing a Stock Purchase Election Form and submitting it to the Secretary of the Company. The preceding sentence to the contrary notwithstanding, the Stock Purchase Election shall be effective only with respect to Compensation that is payable on and after the first day of a calendar month that is at least six months after the Election Date, but in no event before October 1, 1993.

(b) A Stock Purchase Election relating to the Retainer Fee shall be in integral multiples of twenty-five percent (25%) of the Retainer Fee. A Stock Purchase Election relating to Meeting Fees shall be in integral multiples of twenty-five percent (25%) of each Meeting Fee. The Participant shall indicate on the Stock Purchase Election Form whether the Common Stock issued under this Article V shall be registered in the name of the Participant or in the joint names of the Participant and his or her spouse. A Stock Purchase Election Form shall remain in effect with respect to all future Compensation until a new Stock Purchase Election made by the participant in accordance with Section 5.02 becomes effective.

5.02. Stock Purchase Election Modification. A Participant may modify his or her Stock Purchase Election to increase or decrease the amount of Compensation that will be applied to the purchase of Common Stock under this Article V or to cease purchases of Common Stock under this Article V. The new Stock Purchase Election shall be effective with respect to Compensation payable on and after the first day of the month specified by the Participant; provided, however, that such date is at least six months after the Election Date and on or after October 1, 1993.

5.03. Issuance of Common Stock. Common Stock purchased under this Article V shall be issued as of the date that the Retainer Fee or Meeting Fee or both, as applicable, would have been payable but for the Participant's Stock Purchase Election. The number of shares issuable shall be determined by dividing the amount of Retainer Fee or Meeting Fee otherwise payable on that date by the Fair Market Value of the Common Stock on the day preceding the date described in the preceding sentence. A fractional share of Common

Stock shall not be issued but instead the Participant shall receive a cash payment of the Compensation that cannot be applied to purchase a whole share.

ARTICLE VI

SHAREHOLDER RIGHTS

No Participant shall have any rights as a shareholder with respect to shares subject to his or her Option until the date that he or she exercises such Option. No Participant shall have any rights as a shareholder with respect to his or her participation in the Deferred Fee Program. No Participant shall have any rights as a shareholder with respect to his or her participation in the Stock Purchase Program until the date for the issuance of shares as provided in Section 5.03.

ARTICLE VII

ADJUSTMENT UPON CHANGE IN COMMON STOCK

The maximum number of shares as to which Options may be granted under this Plan shall be proportionately adjusted, and the terms of outstanding Options and the records of the Company Stock Account shall be adjusted, as the Committee shall determine to be equitably required in the event that (a) the Company (i) effects one or more stock dividends, stock split-ups, subdivisions or consolidations of shares or (ii) engages in a transaction to which Section 424 of the Code applies or (b) there occurs any other event which, in the judgment of the Committee necessitates such action. Any determination made under this Article VII by the Committee shall be final and conclusive.

The issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, outstanding awards of Options or the records of the Company Stock Account.

ARTICLE VIII

COMPLIANCE WITH LAW, ETC.

No Option shall be exercisable, no Common Stock shall be issued, no certificates for shares of Common Stock shall be delivered, and no payment shall be made under this Plan except in compliance with all applicable federal and state laws and regulations, any listing agreement to which the Company is a party, and the rules of all domestic stock exchanges on which the Company's shares may be listed. The Company shall have the right to rely on an opinion of its counsel as to such compliance. Any share certificate issued to evidence Common Stock purchased under Article V or for which an Option is exercised may bear such legends and statements as the Committee may deem advisable to assure compliance with federal and state laws and regulations. No Option shall be exercisable, no Common Stock shall be issued, no certificate for shares shall be delivered, and no payment shall be made under this Plan until the Company has obtained such consent or approval as the Committee may deem advisable from regulatory bodies having jurisdiction over such matters.

ARTICLE IX

GENERAL PROVISIONS

9.01. Unfunded Plan. The Plan shall be unfunded, and the Company

shall not be required to segregate any assets that may at any time be represented by grants under, or participation in, this Plan. Any liability of the Company to any person with respect to any grant under, or participation in, this Plan shall be based solely upon any contractual obligations that may be created pursuant to this Plan. No such obligation of the Company shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Company.

9.02. Rules of Construction. Headings are given to the articles and sections of this Plan solely as a convenience to facilitate reference. The use of the singular includes the plural and the reference to one gender includes the other. The reference to any statute, regulation, or other provision of law shall be construed to refer to any amendment to or successor of such provision of law.

9.03. Nontransferability. A Participant may not transfer or assign any rights that he or she has under this Plan other than by will or the laws of descent and distribution. During the lifetime of the Participant, his or her Option may be exercised only by the Participant. No right or interest of any Participant or Beneficiary under the Plan shall be liable for, or subject to, any lien, obligation or liability of such Participant or Beneficiary.

ARTICLE X

AMENDMENT AND TERMINATION

The Board may amend or terminate this Plan from time to time; provided, however, that no amendment may become effective until shareholder approval is obtained if (i) the amendment increases the aggregate number of shares of Common Stock that may be issued under the Plan or (ii) the amendment changes the class of individuals eligible to become Participants.

No amendment shall, without a Participant's consent, adversely affect any rights of such Participant under any outstanding Option, the Deferred Fee Program or the Stock Purchase Program as in effect at the time such amendment is made. Notwithstanding the foregoing the Stock Option Program shall not be amended more than once in any six month period unless such amendment comports with changes in the Code or the rules thereunder.

ARTICLE XI
DURATION OF PLAN

No Option may be granted under this Plan more than five years after the date that the Plan is approved by shareholders as provided in Article XII. Options granted before that date shall remain valid in accordance with their terms. The Deferred Fee Program shall remain in effect until all Participants' Accounts have been distributed in full, unless sooner terminated by the Board. No Stock Purchase Election shall be made with respect to Compensation payable more than five years after the date the Plan is approved by shareholders as provided in Article XII; provided, however, that the Board may sooner terminate the Stock Purchase Program.

ARTICLE XII

EFFECTIVE DATE OF PLAN

This Plan will be effective on the date that this Plan is approved by a majority of the votes entitled to be cast by the Company's shareholders, voting either in person or by proxy, at a duly held shareholders' meeting.

Exhibit 10 (m)

ENHANCED AUTHORIZED DISTRIBUTION AGENCY AGREEMENT

This agreement ("Agreement") is made and entered into this ___ day of _____, 1993, by and between Voluntary Hospitals of America, Inc. ("VHA"), a Delaware corporation, and _____ _____, a _____ corporation, an authorized distribution agent of VHA ("ADA").

This Agreement is entered into based on the following facts:

A. VHA is a nonexclusive limited Agent for Designated VHA Members and Affiliates;

B. VHA is, among other things, in the business of providing (a) products and other property, purchasing and other opportunities, procurement, distribution and other services, directly and indirectly, to, for, on behalf of and as an Agent for certain health providers, and (b) marketing and other assistance to certain Vendors and certain wholesalers and distributors, including without limitation, ADA, in order to make the property, opportunities, procurement, distribution and related services more conveniently, efficiently and effectively available to Designated VHA Members and Affiliates;

C. ADA has a reputation for offering to sell and selling high quality products and for providing prompt, efficient and effective distribution services, including, but not limited to, the services of selling, marketing, ordering, paying, order receiving, billing/invoicing, product handling, product storing, product receiving, inventorying, managing inventory, product transporting, product delivery, collecting funds, cash application, cash management, receivables management, payables management, handling customer and other inquiries, providing customer service, handling product recalls and market withdrawals, providing for product returns permitted by law, handling allowances and providing other distribution services;

D. ADA has computer-based systems which are useful in connection with managing and conducting its business, which are flexible and able to produce a wide variety of computer-based reports and which are capable of establishing computer-to-computer communications between VHA, on the one hand, and Designated VHA Members and Affiliates, on the other;

E. VHA desires to engage ADA to assist in providing distribution services as a distribution agent of VHA to the Designated VHA Members and Affiliates with respect to Contract Products, including, without limitation, Contract Products which display the "VHA+PLUS(R)" trademark, and ADA desires to perform such services;

F. ADA desires to sell Noncontract Products to the Designated VHA Members and Affiliates and, in connection therewith, to provide distribution services, and VHA desires that the Designated VHA Members and Affiliates have the opportunity to purchase such Noncontract Products and distribution services;

THEREFORE, in consideration of the premises, the representations and warranties of the parties, the mutual covenants contained herein, and other good and valuable consideration, the adequacy, receipt and sufficiency of which are hereby acknowledged, the parties agree, subject to the conditions, terms and provisions hereof, as follows:

Section 1. Definitions.

(A) As used in this Agreement, each of the following capitalized terms shall have the following meaning:

(1) "Agent" means any entity authorized to act on behalf of another entity by the other within the limited scope of the grant of authority set forth in the document or documents granting such authority.

(2) "Alternate Distribution Center" refers to any ADA distribution center other than a Primary Ordering Location.

(3) "Automatic Product Substitution" has the meaning set forth in Section 4(E).

(4) "Backorder Relay" has the meaning set forth in Section 4(B).

(5) "Capital Equipment" means equipment having an order in a single or multiple unit value of over $1,000.

(6) "Contract Products" refers to those products with respect to which VHA has executed a contract ("Purchasing Agreement"), other than this Agreement, with a Vendor thereof, such contract providing for, among other things, the sale by such Vendor of the products to certain Designated VHA Members and Affiliates through ADA.

(7) "Cost" refers to [this confidential information has been omitted and filed separately with the Commission].

(8) "Delivery Schedules" has the meaning set forth in Section 6(C).

(9) "Delivery Times" has the meaning set forth in Section 6(C).

(10) "Designated VHA Members and Affiliates" refers to those VHA Members and Affiliates identified as such on Schedule 1. Schedule 1 may be amended by VHA to add new Designated VHA Members and Affiliates or to delete Designated VHA Members or Affiliates at its sole discretion, at any time during the term of this Agreement, upon thirty (30) days notice to ADA.

(11) "Noncontract Products" refers to all products that are not Contract Products or VHA+PLUS(R) Products.

(12) "Price" has the meaning set forth in Section 6.

(13) "Primary Ordering Location" refers to the ADA distribution center which has service responsibility for a particular Designated VHA Member or Affiliate. ADA's POLs, as of the date of this Agreement, are listed in Schedule 2.

(14) "Purchasing Agreement" has the meaning set forth in Section 1(A)(6).

(15) "Revised Delivery Time" has the meaning set forth in Section 6(C).

(16) "RHCS" refers to Regional Health Care Systems, which are listed on Schedule 3. Schedule 3 may be amended by VHA at its sole discretion at any time during the life of this Agreement upon thirty (30) days written notice to ADA.

(17) "Service Level Report" has the meaning set forth in Section 10.

(18) "Vendors" means the sellers, including without limitation, manufacturers, of products.

(19) "VHA+PLUS(R) Products" means products bearing the VHA+PLUS(R) trademark.

(20) "VHA Fee" has the meaning set forth in Section 8(G).

(21) "Non-traditional Products" are defined as products that are normally not available through distribution or whose distribution is limited to a specific hospital and require the agreement between the Designated VHA Member and Affiliate and ADA for distribution and inclusion on the Pricing Matrix. VHA and ADA recognize that products may start as Non-traditional Products and then become Contract or Noncontract Products at a later date.

(B) Capitalized terms used in this Agreement but not specifically defined herein shall have the meanings customarily ascribed to such terms in the products distribution industry.

Section 2. Appointment as Agent.

VHA appoints ADA as a distribution Agent, subject to the provisions of Section 11(B). ADA shall provide Designated VHA Members and Affiliates with products, services and value added distribution functions. ADA shall work to build a mutually successful relationship with each Designated VHA Member and Affiliate and work in a proactive manner to provide the lowest total delivered cost of products, develop and implement standardization and utilization processes and provide logistics, operational and analytical services.

ADA agrees to actively support and supplement the strategic initiatives of VHA through its role as an ADA under this Agreement.

Section 3. Product Capacity and Handling. ADA shall provide warehouse facilities at each of its Primary Ordering Locations to secure and store sufficient product to meet the service levels to Designated VHA Members and Affiliates specified in this Agreement.

(A) Contract Products.

(1) ADA's Duties. As VHA's Agent, ADA's duties shall include the provision of distribution services with respect to Contract Products to each and every Designated VHA Member and Affiliate, and ADA shall act at all times in accordance with the conditions, terms and provisions of the Purchasing Agreements.

(2) Purchasing Agreements. VHA shall notify ADA of the existence of all Purchasing Agreements and all provisions of such Purchasing Agreements which have or may have any effect on ADA's activities hereunder. VHA shall provide such notification within 15 days of the date of this Agreement for Purchasing Agreements executed by VHA on or before the date of this Agreement and within 30 calendar days of execution for Purchasing Agreements executed by VHA hereafter.

(3) ADA Loading of Contract Products. ADA agrees that all changes in Purchasing Agreements will be loaded into ADA's computer system not less than 30 days prior to the effective date of such changes. ADA will supply each Designated VHA Member and Affiliate with a printout (or such other format as reasonably requested) setting forth ADA order numbers for all Products covered by the Purchasing Agreement at least 30 days prior to the effective start date of each Purchasing Agreement.

ADA will load into ADA's computer system all Contract Products. Those items not presently stocked by ADA shall be identified on the printout.

VHA will supply ADA with the Purchasing Agreement data not less than forty-five (45) days prior to the effective date of each Purchasing Agreement. VHA will instruct Vendors holding Purchasing Agreements to provide to ADA contract verification based on the foregoing guidelines. ADA shall advise VHA, at least thirty (30) days prior to the effective start date of each Purchasing Agreement, of those Vendors who have not provided contract verification.

Upon request of a Designated VHA Member or Affiliate of VHA, ADA will provide annually at no charge a Purchasing Agreement printout listing all Contract Products with ADA order entry numbers and Prices.

ADA shall load into its mainframe computer, within ten (10) days after receipt from VHA, all additions, corrections, price changes, and other modifications to Purchasing Agreements. VHA will notify ADA of the occurrence of any of the foregoing modifications to the Purchase Agreement on a bi-weekly basis.

(B) Noncontract Products. ADA agrees to offer to sell and, if any such offer is accepted, to sell Noncontract Products to the Designated VHA Members and Affiliates. Designated VHA Members and

Affiliates may offer to buy and, if such offer is accepted, may buy Noncontract Products from ADA. In the event such offers, sales or purchases are made, such offers, sales or purchases shall be processed by ADA and the Designated VHA Members and Affiliates in conformity with the provisions of this Agreement.

(C) Price Increases. VHA and ADA shall work together to manage increases in the Cost of Noncontract items. The parties desire to control aggregate Noncontract price increases for any year to not exceed VHA's average price increase for Contract Products for the previous twelve month period, which for 1993 is 1.4%. VHA will provide the average price increase for Contract Products by October 1 of each year. VHA and ADA shall jointly develop a process, the objective of which is to provide notice to Designated VHA Members and Affiliates by November 1 of each year of any price changes for the next calendar year. VHA Contract Products, VHA+PLUS(R) Products, and hospital negotiated contracts with Vendors are not subject to this paragraph.

(D) Price Lists. At such point in time that ADA and VHA have achieved annual price increases for a substantial portion of Noncontract Products, ADA shall provide each Designated VHA Member and Affiliate no later than November 15 of each year a price list containing the Prices for Noncontract Products for the next calendar year in whatever form the Designated VHA Member or Affiliate reasonably requests (e.g., diskette, microfiche, tape, etc.).

(E) VHA+PLUS(R) Products. ADA agrees to stock such amount of VHA+PLUS(R) Products as ADA reasonably determines is necessary to satisfy the anticipated requirements of the Designated VHA Members and Affiliates. Any individual Designated VHA Member or Affiliate price change on a product shall follow the Pricing Protocol described in Schedule 4. All Products will be identified in ADA's inventory as "A items" and, as such, will be subject to appropriate inventory review by ADA. ADA will use its best efforts to market and promote Products when such products meet the needs of a Designated VHA Member or Affiliate.

(F) Stocking Responsibility. ADA shall have the following stocking responsibilities with respect to both Contract Products and Noncontract Products:

(1) ADA will maintain sufficient stock of Contract Products and Noncontract Products to support Designated VHA Members and Affiliates at the service level set forth in this Agreement.

(2) Upon request of a Designated VHA Member or Affiliate to add items to stock, ADA will add the items to stock. Within thirty (30) days, or industry standard lead time, of receipt of usage data, ADA will have the items in stock and advise the requesting Designated VHA Member or Affiliate that the items are available at the Primary Ordering Location.

(3) ADA will not remove from stock at the Primary Ordering Location any product being purchased by a Designated VHA Member or Affiliate unless ADA no longer distributes the product. ADA will review its stock on an appropriate basis to identify those products which have generated sales of less than $100 during a period of not less than ninety (90) calendar days. ADA may then contact any Designated VHA Member or Affiliate who was purchasing these products within the last 180 calendar days to ascertain

continuing need. If no need is expressed, ADA may give written notice to all Designated VHA Members and Affiliates of ADA's intent

to remove the items from stock. If a Designated VHA Member or Affiliate provides ADA within ten (10) business days after such notice of the Designated VHA Member or Affiliate usage estimates on these items, ADA will maintain the items in stock. If ADA does not receive usage data, ADA may discontinue the items and shall so advise the Designated VHA Members and Affiliates.

(4) From time-to-time, VHA may advise ADA that specified Contract Products are to be stocked by ADA exclusively for Designated VHA Members and Affiliates. ADA shall use its best efforts to restrict delivery of such specified Contract Products to Designated VHA Members and Affiliates, provided ADA shall be free to enter into agreements with any Vendor for distribution of any products, including products which may be Contract Products under this Agreement.

(5) If a Vendor advises ADA that specific Contract Products or Noncontract Products will be available in reduced quantities or will be allocated, and that, therefore, ADA may not be able to honor all requests for such products, ADA will allocate, based on past purchasing history of the Designated VHA Members and Affiliates, a portion of such products to Designated VHA Members and Affiliates and shall advise VHA and the Designated VHA Members and Affiliates of the quantity of products so allocated. (This confidential information has been omitted and filed separately with the Commission).

(6) ADA shall provide upon request of Designated VHA Members and Affiliates regular list price catalogues either in hard copy or electronic media, at the election of Designated VHA Members and Affiliates.

(G) Notice of Physical Inventory. ADA will give VHA and the Designated VHA Members and Affiliates not less than forty-five (45) days prior written notice of ADA's intent to perform a physical inventory at the Primary Ordering Location. ADA will accept saleable returns up to ten (10) days prior to such inventory and, thereafter, ADA will continue to authorize returns, except such returns will be held at the Designated VHA Member or Affiliate until the first business day after completion of the physical inventory.

Section 4. Ordering.

(A) Orders. Orders for Contract Products and Noncontract Products by Designated VHA Members and Affiliates may be submitted on purchase orders delivered to ADA through electronic order entry via computer or any other reasonable means. ADA shall not require a minimum dollar order amount for Contract Products or Noncontract Products ordered by Designated VHA Members and Affiliates provided products are ordered in Vendor's standard packaging units. ADA will, after having selected from its stock the Contract Products and Noncontract Products ordered by a Designated VHA Member or Affiliate, physically check each order to assure that the products and quantities selected by ADA accurately correspond to the order received by ADA from the Designated VHA Member or Affiliate. Upon request, ADA will develop and use a method of setting predetermined order quantities (standing orders) based on a Designated VHA Member's or Affiliate's average weekly or bi-weekly usage of

Contract Products and Noncontract Products. These order quantities may be adjusted by the Designated VHA Member or Affiliate upon 72 hours notice to ADA.

(B) Backorder Relay. If ADA fails to have a Contract Product or Noncontract Product on hand at a Primary Ordering Location when the Contract Product or Noncontract Product is available at an Alternate Distribution Center, ADA shall, at its own expense, be able to deliver the Contract Product or Noncontract Product directly to the ordering Designated VHA Member or Affiliate or by way of the Primary Ordering Location, whichever is fastest, from the Alternate Distribution Center ("Backorder Relay"). Backorder

Relay is required only for "A" items (see Section 6(E)). ADA shall use Backorder Relay upon customer request whenever a Contract Product or Noncontract Product is unavailable at a Primary Ordering Location, regardless of the cause of such unavailability (for example, even if such unavailability is caused by Vendor's backorder). ADA shall use Backorder Relay whenever one or more line-items is unavailable at the Primary Ordering Location. ADA will notify Designated VHA Members and Affiliates by automatic order entry print back, customer service, sales representative or other reasonable means of a true backorder at the Primary Ordering Location. Designated VHA Members and Affiliates, at their option, will select a desired means of resolution that may include: product substitution, maintaining backorder or order item cancellation. Each Designated VHA Member or Affiliate will also have the option to select a reasonable method of delivery to meet the individual institution's service requirements. Designated VHA Members and Affiliates shall not be responsible for any delivery charges where such Backorder was the responsibility of ADA.

(C) Electronic Order Entry. All Designated VHA Members and Affiliates will use Electronic Order Entry for placement for not less than 90% of all lines ordered unless otherwise agreed by ADA. ADA shall maintain an 800 number for electronic order entry and direct contact with the Primary Ordering Location personnel by Designated VHA Members and Affiliates and the RHCS.

(D) Confirmation. ADA shall provide to each Designated VHA Member and Affiliate confirmation of each order placed by such Designated VHA Member or Affiliate. The confirmation shall include the following information: (1) a description of the products, price, quantity to be shipped and whether Backorder Relay or Automatic Product Substitution will be used for each item ordered; and (2) the dollar amount of the total order.

The confirmation shall also include identification codes such as purchase order numbers and cost center designations, if the Designated VHA Member or Affiliate by written notification to ADA elects to be supplied such information. For electronic orders, the confirmation shall be received by the Designated VHA Member or Affiliate within two (2) hours after receipt of the order by ADA. The confirmation will be provided through print back or computer if the appropriate technology is available to ADA and the Designated VHA Member or Affiliate.

(E) Automation. ADA shall, at its own expense, make available a software system (compatible with VHA-NET) capable of computer-to-computer on-line transmission with each Designated VHA Member and Affiliate (the "System"). ADA shall establish computer-to-computer interface (compatible with VHA-NET) with VHA. Without limiting the generality of the foregoing, ADA shall be responsible for establishing and providing the necessary software interface with each Designated VHA Member and Affiliate. ADA represents that Schedule 5 hereof sets forth an accurate description of ADA's current capabilities and types of installations with respect to communications with the Designated VHA Members and Affiliates. ADA shall use the System, or equivalent system such as EDI, for the term of this Agreement. ADA represents that it has a computerized Automatic Product Substitution system and that these systems are accurately described on Schedule 5 hereof. The use of Automatic Product Substitution will be done for individual line item products upon the request of a Designated VHA Member or Affiliate.

Section 5. Uniform Purchase.

The ADA will, in conjunction with the RHCS and with those Designated VHA Members and Affiliates not part of a RHCS, identify products and categories of products that are not under contract through VHA or competing with a Contract Product which the Designated VHA Members and Affiliates can uniformly purchase. ADA will use its best efforts to obtain for Designated VHA Members and

Affiliates a reduced cost of said product for an extended period of time, based on the anticipated usage and participation of RHCS members or the combined usage for Designated VHA Members and Affiliates not part of an RHCS.

Section 6. Base ADA Services.

All services listed in this Section shall be provided to Designated VHA Members and Affiliates for the cost plus fee applicable from the Price Matrix in Schedule 6.

(A) Price Matrix. Schedule 6 provides a Price Matrix which determines a Designated VHA Member or Affiliate's percentage mark-up on Cost to determine the "Price" of each product delivered under this Agreement, except for Capital Equipment (distribution service fees for Capital Equipment shall be negotiated between ADA and the Designated VHA Member or Affiliate). "Price" equals the Cost, plus an amount equal to Cost times the percentage from the applicable slot of the Price Matrix based on monthly volume and "Utilization", adjusted to reflect all credits, discounts, rebates, returns, allowances and other adjustments granted by ADA. "Utilization" is defined as [this confidential provision has been omitted and filed separately with the Commission]. VHA and/or ADA may request reasonable substantiation of purchase figures provided by any Designated VHA Member or Affiliate. Any Designated VHA Member or Affiliate which fails or refuses to provide accurate information in a timely manner as to its total distributed purchases shall be charged Cost plus [this confidential information has been omitted and filed separately with the Commission].

(1) Initial Implementation. Each Designated VHA Member and Affiliate will be charged Cost plus [this confidential information has been omitted and filed separately with the Commission] for the first calendar quarter of 1994. During the first calendar quarter of 1994, the Utilization for each Designated VHA Member and Affiliate will be jointly determined by the Designated VHA Member or Affiliate, ADA and VHA using as many months of actual 1993 purchase data as is available (the "1993 Utilization"). Commencing on April 1, 1994, and for the balance of 1994, each Designated VHA Member and Affiliate will be slotted in the Price Matrix based upon the 1993 Utilization and 1993 average monthly volume through ADA. Any Designated VHA Member or Affiliate commencing participation under this Agreement after January 1, 1994, shall be slotted at Cost plus [this confidential information has been omitted and filed separately with the Commission] for the first full calendar quarter under this Agreement and thereafter will be eligible for Annual Slotting and Quarterly Performance Bonuses.

(2) Annual Price Matrix Slotting. On or before January 1 of each year after 1994 during the term of this Agreement, VHA and each Designated VHA Member or Affiliate shall recalculate the Utilization and average monthly volume through the ADA based upon actual purchases from the preceding twelve months. The Designated VHA Member or Affiliate's applicable Cost plus slot on the Price Matrix will be adjusted, if necessary, based upon such actual purchase performance ("Annual Slotting"). Each Designated VHA Member and Affiliate shall acknowledge annually on the form provided in Schedule 7 its Annual Slotting, payment term election and services desired.

(3) Quarterly Performance Bonus. Commencing with the calendar quarter ending on June 30, 1994, and for each calendar quarter thereafter, each Designated VHA Member or Affiliate whose performance qualifies for a lower Cost plus in the Price Matrix than its current Annual Slotting will receive a Quarterly Performance Bonus from ADA within thirty (30) days after final sales figures are available from the prior quarter in the form of either a check or a credit to the account, at the Designated VHA Member or Affiliate's election. The amount of the Quarterly

Performance Bonus shall be calculated by taking the difference between the Cost plus percentage of the Designated VHA Member or Affiliate's current Annual Slotting and the Cost plus percentage applicable to the Designated VHA Member or Affiliate's actual performance for the quarter multiplied by the total amount of purchases through ADA for that quarter. A Quarterly Performance Bonus will not be available for Designated VHA Members and Affiliates which are on a fixed fee for stockless services. In these cases, the Pricing Matrix will be used only for the purpose of determining the VHA Fee.

(4) Failure to Maintain Slotting. Any Designated VHA Member or Affiliate which fails to maintain actual quarterly performance at least equal to its current Annual Slotting for any quarter shall have its Price Matrix location adjusted immediately to reflect actual performance for the most recently completed quarter.

(B) Payment Terms. Each Designated VHA Member and Affiliate shall designate in writing one of the payment options listed in Schedule 8. A Designated VHA Member or Affiliate may change its payment option no more frequently than once each calendar quarter upon thirty (30) days prior written notice to ADA.

(C) Delivery. Each Designated VHA Member and Affiliate shall be entitled to two deliveries per week. ADA shall deliver Contract Products and Noncontract Products F.O.B. destination, transportation out prepaid and absorbed, except for Capital Equipment. ADA shall deliver Contract Products and Noncontract Products to each Designated VHA Member or Affiliate in accordance with delivery schedules mutually agreed upon by ADA and the Designated VHA Member or Affiliate ("Delivery Schedules"). ADA and each Designated VHA Member and Affiliate shall agree on facility specific delivery needs, including but not limited to, backorders, number of deliveries, time of deliveries, substitutions, etc. If a conflict arises which cannot be resolved by ADA and the Designated VHA Member or Affiliate, ADA will contact VHA to work out an appropriate schedule.

The delivery of backordered items (including items delivered through Backorder Relay) does not constitute an additional delivery, however, VHA has no objection to ADA encouraging hospitals to allow backordered items to be held and delivered with the next regular delivery.

ADA shall notify the affected Designated VHA Member or Affiliate at the earliest convenient time after ADA can reasonably anticipate that a delivery will be made after the scheduled delivery time ("Delivery Time"). Such notification shall include the anticipated date and time of delivery of the late shipment ("Revised Delivery Time") and the reason for the delay.

In order to minimize the frequency and length of delays, ADA shall establish a secondary delivery system which shall be used in the event that the primary delivery method is unavailable.

(D) Returned Goods. ADA shall service returned goods, including, without limitation, arranging for credits due any Designated VHA Member or Affiliate in accordance with the Returned Goods Policy specified in Schedule 9.

(E) Fill Rate. ADA shall maintain for each Designated VHA Member and Affiliate an unadjusted Fill Rate of 98% for all "A" items. "A" items are defined as those items that are stock items and are purchased on a regular basis by that Designated VHA Member or Affiliate. Unadjusted Fill Rate shall be calculated by total number of lines fully delivered, divided by total number of lines ordered.

(F) Hospital Reports. ADA shall provide each Designated VHA Member and Affiliate with the monthly reports listed in Schedule 10 by the tenth day of the following month. VHA may modify or change Schedule 10 upon sixty (60) days written notice to ADA.

(G) Customized Packing Slips and Invoices. ADA shall provide customized packing slips and invoices consistent with Designated VHA Member and Affiliate requirements.

(H) Customized Pallet Design. ADA shall assist in pallet design and arrangement and shall deliver goods in accordance with such pallet design upon request of Designated VHA Members and Affiliates.

(I) Member Quarterly Business Review. Once each calendar quarter, ADA shall meet with each Designated VHA Member and Affiliate to discuss, at a minimum, the issues listed in Schedule 11, Member Business Review Agenda.

(J) Delivery of Non-traditional Products. ADA shall discuss with each Designated VHA Member and Affiliate the appropriateness of delivering Non-traditional products through ADA to the Designated VHA Member or Affiliate. Such Non-traditional products may include by way of example: IV solutions, x-ray film, forms, textiles, office supplies, etc. The inclusion of Non-traditional Products in a Designated VHA Member or Affiliate's volume for Annual Slotting shall occur only upon the mutual agreement of ADA and the Designated VHA Member or Affiliate; otherwise, charges, if any, for the delivery of such Non-traditional products shall be negotiated between ADA and the Designated VHA Member or Affiliate. In the case of IV solutions, ADA and the Designated VHA Member or Affiliate shall follow the process specified in Schedule 12 before any decision to deliver IV solutions through the ADA is made.

(K) ADA Representative. Schedule 13 lists the responsibilities of ADA's representatives for every Designated VHA Member and Affiliate.

(L) ADA shall staff the Primary Ordering Location each business day continuously from at least 8:00 a.m. through 6:00 p.m., local time. In case of an emergency, Designated VHA Members and Affiliates can call the Primary Ordering Location. ADA will provide a list of emergency telephone numbers at the Primary Ordering Location for after hours contact.

Section 7. Other Services Available from ADA.

The services listed in this Section shall be available from ADA at an additional charge to the Designated VHA Member or Affiliate as negotiated between the ADA and the Designated VHA Member or Affiliate.

(A) Logistics Services. ADA shall have available the logistic services listed in Schedule 14.

(B) Patient Charge-Item Labelling. ADA shall provide patient charge-item labels to Designated VHA Members and Affiliates for a charge of not more than [this confidential information has been omitted and filed separately with the Commission] label if labels are supplied by customer or not more than [this confidential information has been omitted and filed separately with the Commission] label if ADA supplies labels.

(C) JIT Program. ADA shall offer Just-in-Time ("JIT") delivery services upon request. JIT services shall include frequent deliveries in cases or boxes, whatever is Vendor's standard unit of packaging. Charges for packing orders by department shall not exceed [this confidential information has been omitted and filed separately with the Commission] of sales.

(D) Stockless/LUM (Lowest Unit of Measure). ADA shall offer stockless/LUM services upon request. At a minimum, such services shall include the ability to provide: at least 5 day-a-week deliveries, delivery in lowest unit of measure, pick and pack by area of use, and delivery to area of use and put stock away. Stockless/LUM services shall be provided with an unadjusted Fill Rate of 100% (as calculated in Section 6(E)) with an approved substitution list as provided by the Designated VHA Member or Affiliate. Charges for deliveries to department shall not exceed [this confidential information has been omitted and filed

separately with the Commission] of affected sales and charges for putting stock away for the customer shall not exceed [this confidential information has been omitted and filed separately with the Commission] of affected sales. Additional stockless services shall be subject to local negotiation.

(E) Emergency Deliveries. ADA shall have available emergency delivery services available 24 hours a day, seven days a week.

(F) Barcoding. ADA shall provide barcoding labels to Designated VHA Members and Affiliates upon request.

(G) Other Services. Schedule 15 details certain listed ADA services available and the charge structure, if any, associated with those services. ADA and each Designated VHA Member and Affiliate may negotiate additional services as requested by the Designated VHA Member or Affiliate.

Section 8. ADA Responsibilities.

ADA shall be responsible to perform the following:

(A) Disaster Plan. ADA will assist each Designated VHA Member and Affiliate and RHCS in developing a plan of action for delivery of products in the event of a natural disaster in the geographical area of a Designated VHA Member or Affiliate. Schedule 16 details ADA's disaster plan. ADA shall provide VHA, and each RHCS, Designated VHA Member and Affiliate, upon request a written action plan describing procedures in the event their Primary Ordering Location should become unable to provide products under this Agreement. These action plans will be reviewed yearly by ADA and VHA and updated as required.

(B) Computer Systems. ADA attests that, in the event its computer system should fail, it has access to another computer system which, under normal conditions, will be in operation in no more than 48 hours. Schedule 17 details ADA's computer capabilities. ADA will utilize manual ordering systems during periods in which its computer systems are not operative in order to provide an uninterrupted flow of Contract Products and Noncontract Products to the Designated VHA Members or Affiliates.

(C) EDI Capabilities. Schedule 18 lists the EDI capabilities required of ADA.

(D) VHA Quarterly Business Review. ADA corporate staff shall meet no less frequently than once each calendar quarter with VHA to discuss ADA's performance under this Agreement. This quarterly business review shall also be used to establish performance targets and goals and to review progress toward such targets and goals.

(E) Reports to VHA. ADA shall provide to VHA reports as specified in Schedule 19. VHA may amend Schedule 19 at any time upon sixty (60) days written notice to the ADA. Failure to provide the required tapes, diskettes, or information by the deadline shall result in the following payments by ADA to VHA per calendar year:

1st Failure:	Written Warning
2nd Failure:	$500 Late Fee
3rd Failure:	$2,500 Late Fee
4th Failure and each succeeding failure per calendar year:	$5,000 Late Fee

(F) TQM/CQI Process. ADAs will support with VHA an initiative of Quality Improvement that will better serve the Designated VHA Member and Affiliate. Based on customer input, the ADAs shall provide a proactive team that services the Designated VHA Member and Affiliate based on lowering total delivered cost.

(G) VHA Fee. With the delivery of every monthly sales report listing the sales to each Designated VHA Member and Affiliate, ADA

shall pay to VHA on the 10th of each month a "VHA Fee" calculated on total net sales of all Contract and Noncontract Products as follows: [this confidential information has been omitted and filed separately with the Commission].
Provided however, no VHA Fee shall be due on the sales of any products except those listed in Schedule 20.

In the event any Designated VHA Member or Affiliate earning a Quarterly Performance Bonus results in an overpayment of the monthly VHA Fee, ADA shall recalculate the VHA Fee due for each affected Designated VHA Member or Affiliate and provide VHA with a detailed calculation and report of each adjustment. ADA may deduct the net adjustment for the calendar quarter in the next monthly VHA Fee provided ADA has delivered the adjustment calculation and report to VHA. In the event ADA fails to pay the VHA Fee when due, ADA shall pay VHA, in addition to the VHA Fee, a late charge of 0.75% per month, or the maximum allowed by law, whichever is less, on all amounts past due.

(H) Support of VHA-NET. In addition to the EDI capabilities required by Schedule 18, ADA shall cooperate and support VHA NET as new transaction sets data elements are added to the VHA-NET system. Specifically, purchase order acknowledgements should contain the same item pricing as invoices; ADA shall support the current version of HIBCC conventions and the four most recent preceding versions; ADA shall support HIBCC guidelines for asynchronous communications; ADA shall support increased modem speeds on VHA-NET; ADA shall include HIN's in its customer data fields; ADA will support the use of Common Category Database codes in product transactions; and ADA will refer questions regarding VHA-NET to the VHA-NET Customer Support Team.

(I) ADA Representative Compensation System. ADA shall provide VHA a written summary of ADA representative's compensation plan no later than November 1 of each year. ADA shall provide VHA with the opportunity to make comments on such plan or plans.

(J) VHA Access to Facilities and Personnel. ADA shall permit VHA and its authorized representatives access to ADA's facilities and personnel at all reasonable times upon reasonable request. ADA shall provide at no charge VHA with the necessary software to permit "read only" access to ADA's computer data (pricing, inventory, accounts receivable, fill rates, etc.) on an on-line basis.

(K) Fraud and Abuse Disclosure. ADA represents and warrants that, as a seller, it will provide each Designated VHA Member and Affiliate with all information necessary to comply with the Medicare Medicaid fraud and abuse/anti-kickback statute (42 U.S.C. Section 1320a-7b) and the regulations issued thereunder, including, but not limited to, the appropriate disclosures with each and every Quarterly Performance Bonus paid.

(L) Manufacturer Reports. ADA agrees to deliver all manufacturer tracing and rebate reports to each manufacturer for Contract Products no later than ten (10) days after the end of the month in which the sales reported took place.

(M) Problem Resolution Policy. ADA shall follow a problem resolution policy for resolving issues with a Designated VHA Member or Affiliate. A copy of this policy is attached as Schedule 21.

Section 9. Drop Shipments.

If a Vendor ships Contract Products or Noncontract Products directly to a Designated VHA Member or Affiliate (a "drop shipment") and the Vendor bills through ADA, such transaction will be subject to the terms of this Agreement.

ADA may pass through to the Designated VHA Member or Affiliate any service charges levied by Vendor on ADA for drop shipments. ADA will notify VHA Members and Affiliates of any such service charges at the time of order.

Section 10. Service Level.

In addition to its other service obligations under this Agreement, ADA shall provide the minimum level of service specified in Schedule 22 attached. Schedule 22 may be amended from time-to-time by the written agreement of the parties.

Section 11. General.

(A) Risk of Loss and Insurance. As between ADA and the Designated VHA Members and Affiliates, ADA shall bear all risk of loss while Contract Products or Noncontract Products are in ADA's possession, custody, or control. ADA shall provide evidence to VHA that ADA is maintaining all-risk, full replacement cost insurance coverage for any such Contract Product or Noncontract Product. The Designated VHA Members and Affiliates shall not bear the risk of loss prior to their receipt of Contract Products or Noncontract Products. VHA shall never bear any risk of loss. ADA may satisfy the foregoing insurance requirements through its self-insurance program. In addition, ADA shall secure and maintain, at its own expense, commercial general liability insurance, including blanket contractual liability and products liability coverages with minimum limits of $2,000,000 per occurrence and $5,000,000 annual aggregate. Such insurance shall include VHA and Designated VHA Members and Affiliates as additional insureds. Within thirty (30) days from the date hereof, ADA shall submit to VHA a certificate of insurance attested by a duly authorized representative of the insurance carrier or carriers, evidencing that the insurance required by this Section is in force and in effect and that such insurance will not be canceled or materially changed without giving VHA at least thirty (30) days prior written notice. ADA's obligation to obtain and maintain the required insurance and submit the required certificate of insurance to VHA shall continue during the term of this Agreement and for five (5) years thereafter.

(B) Exclusivity. In consideration that ADA will have access to confidential price information of VHA and the assistance of VHA in gaining access to Designated VHA Members and Affiliates, ADA shall not offer to sell or sell Contract Products or Noncontract Products or otherwise do business with any Designated VHA Member or Affiliate unless contemplated by this Agreement or approved in writing by VHA. ADA's entire relationship vis-a-vis products with the Designated VHA Members and Affiliates shall be governed by this Agreement.

VHA and other persons may sell or distribute Contract Products, Noncontract Products or both to VHA Members and Affiliates who are not Designated VHA Members and Affiliates, and to Designated VHA Members and Affiliates. Nothing in this Agreement shall prohibit VHA from entering into any distribution agreement with a manufacturer that distributes its own products.

VHA retains all its rights to manufacture, sell, market, and otherwise distribute goods and services to Designated VHA Members and Affiliates and to any other party.

(C) Confidentiality. ADA shall not provide any usage, sales or purchase data relating to Designated VHA Members and Affiliates to any third party, except to the extent necessary to obtain credits, charge backs or meet other Vendor requirements or as required by applicable law. If ADA currently has in place a

binding contract to supply usage, sales or purchase data to IMS America, Ltd., Selling Areas Marketing Inc. of Chicago, or any other data collection entity, ADA may continue to provide the information required by such contract until the expiration of such contract if no one or more of the Designated VHA Members and Affiliates is identified or identifiable therefrom either separately or as a group. ADA may renew any such contract, but ADA agrees to notify VHA in writing at least thirty (30) days before such renewal.

ADA acknowledges that information supplied to it by VHA is the property of VHA. ADA agrees to hold confidential the terms, provisions and conditions of this Agreement and information which is market confidential and is supplied to it by VHA pursuant to or in connection with this Agreement or the Purchasing Agreements and to return any such information to VHA promptly upon the termination of this Agreement. ADA agrees to use such confidential information only in connection with the performance of its obligations under this Agreement. ADA shall not disclose such information to any third party except with the consent of VHA.

VHA acknowledges that, as professional business people, ADA's sales representatives have access to information necessary to properly manage their territory. The terms of this Agreement will be provided to the sales and marketing team to ensure their thorough understanding of the program and its objectives. VHA agrees to hold in confidence the terms provisions and consideration of this Agreement.

Notwithstanding any other provision of this Agreement, the obligations of ADA to maintain the confidentiality of the confidential information shall not apply to any portion of the confidential information that: (i) was in the public domain at the time of its disclosure to ADA or its affiliates; (ii) enters the public domain through no fault of ADA or its affiliates; (iii) was communicated to ADA or its affiliates by a third party free of any obligation of confidence; (iv) was developed by officers, employees, or agents of ADA or its affiliates independently of, and without reference to, the confidential information; (v) is already known to ADA or its affiliates at the time of receiving the confidential information.

The obligations of ADA pursuant to this Section 11(C) shall survive for a period of three (3) years after the termination of this Agreement.

(D) Warranty. ADA warrants that any product delivered hereunder shall be new, unopened and in its original packaging as received from the Vendor, having been stored in accordance with any Vendor instructions. ADA shall not sell any products without a reasonable warranty from the Vendor which is assignable to the Designated VHA Member or Affiliate.

ADA agrees to take any action necessary, and any action reasonably requested, to effect the assignment of such manufacturers' warranty to the purchaser of the warranted product. ADA MAKES NO IMPLIED WARRANTIES OR OTHER EXPRESS WARRANTIES, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE.

(E) Relationship. Each party to this Agreement has only the authority granted by this Agreement. Neither party shall take any action on behalf of the other party unless consented to in writing by the other party.

(F) Financial Statements. ADA will supply to VHA upon request and at least annually copies of ADA's annual audited financial reports. Such reports shall include, at a minimum, an income statement, balance sheet, statement of equity, statement of cash flows, all footnotes and such other information as VHA may reasonably request.

(G) Federal Access. Until the expiration of four years after

ADA furnishes any service under this Agreement, ADA will maintain and, upon the request of the Secretary of the U.S. Department of Health and Human Services, the Comptroller General of the United States, or a representative of either of them, ADA will make available to such requesting person, this Agreement and all books, documents and records that are necessary to certify the nature and extent of costs claimed to Medicare by any Designated VHA Member or Affiliate with respect to any services provided by ADA under this Agreement. Whether or not ADA is permitted hereunder to do so, if ADA carries out any of the duties of this Agreement through a subcontract, with a value or cost of $10,000.00 or more over a twelve-month period, with a related organization or person, then ADA agrees to cause such related organization or person to, and to include in any such subcontract clauses and provisions to the effect that, such related organization or person agrees to maintain, and upon the request of the Secretary of the U.S. Department of Health and Human Services, the Comptroller General of the United States, or a representative of either of them, make available to such requesting person the subcontract and all books, documents and records that are necessary to certify the nature and extent of costs claimed to Medicare by any Designated VHA Member or Affiliate with respect to any services provided under such subcontract.

(H) Compliance With All Laws. Each party to this Agreement represents and warrants to the other party that it does and will comply with all laws in connection with this Agreement and the performance of its obligations hereunder; provided, however, without limiting the generality of the foregoing, ADA shall provide documentation to VHA upon request to demonstrate compliance with all applicable OSHA and EEOC requirements.

(I) Indemnification. ADA agrees to indemnify VHA, the Designated VHA Members and Affiliates and their respective affiliates, directors, officers, employees, agents, servants, and representatives, upon demand for and against any claim, loss, liability, or expense (including attorneys' fees and other expenses of litigation) incurred by any of them in connection with or as a result of any act, or failure to act, by ADA, its affiliates, directors, officers, employees, agents, servants, or representatives or any breach by ADA of this Agreement, provided, however, that such indemnity shall not extend to any claim, loss, liability or expense resulting from the negligence or willful misconduct of the party to be indemnified.

(J) Assignment. This Agreement is binding on the parties hereto and shall inure to the benefit of and be binding upon the successors and assigns of the parties. Neither this Agreement nor either party's rights and obligations under this Agreement may be assigned, pledged, or encumbered without the prior written consent of the other party. For purposes of this paragraph, any transfer, sale, merger or consolidation of ADA, or a substantial portion of ADA's assets, whether by contract, agreement or operation of law, shall be deemed an assignment and require the prior written consent of VHA.

(K) Entire Agreement, Modification, Amendment, Waiver. This Agreement constitutes the entire agreement between the parties. No modification, amendment or waiver of any provision of this Agreement will be effective unless approved in writing by VHA and ADA. The failure of VHA, any Designated VHA Member or Affiliate, or ADA at any time to enforce any provision of this Agreement will not be construed as a waiver of such provision and will not affect the right of VHA, the Designated VHA Members and Affiliates or ADA thereafter to enforce each and every provision of this Agreement in accordance with its terms.

(L) Choice of Law. In the event of any dispute between VHA and ADA, this Agreement shall be governed by the internal laws of

the State of Texas. Any dispute between ADA and a Designated VHA Member or Affiliate shall be construed in accordance with the local laws of the location of such Designated VHA Member or Affiliate.

(M) Third-Party Beneficiaries. The Designated VHA Members and Affiliates are intended third-party beneficiaries hereunder and may enforce any of the terms of this Agreement against ADA.

(N) Severability. If this Agreement, or any one or more of the provisions hereof, shall be held invalid, illegal, or unenforceable within any governmental jurisdiction or subdivision thereof, this Agreement or any such provision or provisions shall not as a consequence thereof be deemed to be invalid, illegal or unenforceable in any other governmental jurisdiction or subdivision thereof. If any provisions in this Agreement shall be held invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement; this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein, and there shall be deemed substituted such other provision as will most nearly accomplish the intent of the parties to the extent permitted by applicable law.

(O) Authority. Each party represents that the execution, delivery, and performance of this Agreement have been duly authorized by all required action on such party's part, that such party has the full power to make and perform this Agreement and that this Agreement constitutes the legal, valid, and binding obligation of such party, enforceable in accordance with its terms.

(P) Force Majeure. ADA shall be excused for failure to perform hereunder if failure is caused by fire, shortages of goods caused by national crisis, unavoidable casualties, Acts of God, or any other matters beyond ADA's control.

(Q) Books and Records, Audit. ADA shall keep, maintain and preserve complete, current and accurate books, records and accounts of the transactions contemplated hereby and such additional books, records and accounts as are necessary to establish and verify ADA's compliance hereunder. All such books, records and accounts shall be available for inspection and audit by VHA and its authorized representatives at any time during the term of this Agreement and for two (2) years thereafter, but no more frequently than twice in any consecutive twelve month period and only during reasonable business hours and upon reasonable notice. The exercise by VHA of the right to inspect and audit is without prejudice to any other or additional rights or remedies of either party hereto.

(R) Favored Customer Pricing. Notwithstanding anything to the contrary contained herein, the price for each product and service under this Agreement to Designated VHA Members and Affiliates will be no greater than the lowest price charged by ADA during the term hereof for such product or service to any other customer of ADA, other than the federal government. As competitive situations arise during the term of this Agreement, it will be necessary for VHA and ADA to mutually agree on meeting specific competitive situations that are strategically important to VHA and ADA.

Section 12. Term and Termination.

This Agreement will become effective upon execution as to each Designated VHA Member and Affiliate to which ADA is distributing products as of the date of this Agreement. This Agreement will commence on January 1, 1994, and continue in force until December 31, 1996, unless terminated sooner as provided in this Section; provided that either party may at any time terminate this Agreement with or without cause, by delivering not less than ninety (90) days prior written notice thereof to the other party; and provided that VHA may terminate this Agreement, in whole or in part, upon thirty (30) days written notice in the event of any breach or non-performance by ADA, provided ADA has not cured the breach within

said 30 days. This Agreement maybe extended for up to two additional one year terms unless VHA notifies ADA in writing ninety (90) days prior to the anniversary date of this Agreement.

Section 13. Notices.

(A) All notices given under any of the provisions of this Agreement shall be deemed duly given to VHA or the Designated VHA Members and Affiliates if mailed by registered or certified mail, return receipt requested, to:

Voluntary Hospitals of America, Inc.
300 Decker Drive
Irving, Texas 75062

or to such other address as VHA may designate in writing by notice to ADA as provided in this Section 13.

(B) All notices given under any of the provisions of this Agreement shall be deemed duly given to ADA if mailed by registered or certified mail to:

_____
_____
_____
_____

_____

or to such other address as ADA may designate in writing by notice to VHA as provided in this Section 13.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

Voluntary Hospitals of America, Inc. ("VHA")

By: _____
Dwight Winstead
Executive Vice President

_____
("Authorized Distribution Agent")

By: _____
Title:_____

SCHEDULE 1
DESIGNATED VHA MEMBERS AND AFFILIATES

[List of Members and Affiliates assigned to ADA]

SCHEDULE 1 - MEMBERS & AFFILIATES ASSIGNED TO ADA

Lic. #	Hospital	City	State
ADA:		OWENS & MINOR	
P291	Atmore Community Hospital	Atmore	AL
P381	Baptist Health Services Corp.	Montgomery	AL
H018	Baptist Health Services, Inc.	Gadsden	AL
P315	Baptist Medical Center-Cherokee	Centre	AL
P344	Baptist Medical Center-Dekalb	Ft. Payne	AL
P294	Baptist Medical Center-Montclair	Birmingham	AL
P295	Baptist Medical Center-Princeton	Birmingham	AL
P346	Baptist Memorial Hospital	Gadsden	AL
P309	Boaz-Albertville Medical Center	Boaz	AL
P409	Citizens Baptist Medical		

	Center (BMC)	Talladega	AL
DAJU	Coosa Valley Medical Center	Sylacauga	AL
P320	Cullman Medical Center	Cullman	AL
P310	D.W. McMillan Memorial Hospital	Brewton	AL
W431	DCH Healthcare Authority	Tuscaloosa	AL
P414	DCH Regional Medical Center	Tuscaloosa	AL
P415	DCH Rehabilitation Pavilion	Tuscaloosa	AL
P323	Decatur General Hospital	Decatur	AL
P341	Eliza Coffee Memorial Hospital	Florence	AL
P337	Fayette County Hospital	Fayette	AL
P357	Guntersville-ARAB Medical Center	Guntersville	AL
P363	Huntsville Hospital	Huntsville	AL
W133	Infirmary Health System, Inc.	Mobile	AL
W425	Jackson County Health Care Authority	Scottsboro	AL
P402	Jackson County Hospital	Scottsboro	AL
VH65	Marshall County Health Care Authority	Boaz	AL
P391	Mizell Memorial Hospital, Inc.	Opp	AL
P375	Mobile Infirmary Medical Center	Mobile	AL
P292	North Baldwin Hospital	Bay Ninette	AL
P311	North Jackson Hospital	Bridgeport	AL
P281	Northeast Alabama Regional Medical Center	Anniston	AL
P388	Northport Hospital - DCH	Northport	AL
P394	Phenix Medical Park Hospital	Phenix City	AL
P136	Regional Health Services, Inc.	Anniston	AL
W534	Rotary Rehabilitation Hospital	Mobile	AL
P285	Shelby Medical Center	Alabaster	AL
P342	South Baldwin Hospital	Foley	AL
P070	The Baptist Medical Centers	Birmingham	AL
P336	Thomas Hospital	Fairhope	AL
P404	Vaughan Regional Medical Center	Selma	AL
P318	Vaughan-Chilton Medical Center	Clanton	AL
P317	Washington County Infirmary	Chatom	AL
VHE1	Medlantic Healthcare Group	Washington	DC
VHE4	National Rehabilitation Hospital	Washington	DC
S525	Washington Hospital Center	Washington	DC
W135	Alachua General Hospital, Inc.	Gainesville	FL
VH66	Baptist Health Care Corporation	Pensacola	FL
P016	Baptist Hospital, Inc.	Pensacola	FL
U900	Bay Medical Center	Panama City	FL
U862	Bayfront Medical Center, Inc.	St. Petersburg	FL
V514	Bethesda Memorial Hospital, Inc.	Boynton Beach	FL
V516	Boca Raton Community Hospital, Inc.	Boca Raton	FL
U854	Bradford Hospital	Starke	FL
V499	Cape Canaveral Hospital	Cocoa Beach	FL
V448	Citrus Memorial Hospital	Inverness	FL
U826	Good Samaritan Medical Center	West Palm Beach	FL
P033	Gulf Breeze Hospital	Gulf Breeze	FL
W539	Halifax Health Care Systems, Inc.	Daytona Beach	FL
V490	Halifax Medical Center	Daytona Beach	FL
W509	Holmes Regional Healthcare Systems, Inc.	Melbourne	FL
V403	Holmes Regional Medical Center	Melbourne	FL
V433	Jay Hospital	Jay	FL
V425	Lake Shore Hospital, Inc.	Lake City	FL
V420	Lakeland Regional Medical Center	Lakeland	FL
V471	Lee Memorial Hospital	Fort Myers	FL
W502	Martin Memorial Health Systems	Stuart	FL
U853	Martin Memorial Medical Center	Stuart	FL
VMB6	Mease Health Care	Dunedin	FL

V486	Mease Hospital	Dunedin	FL
VHDJ	Mease Hospital Countryside	Safety Harbor	FL
V443	Methodist Medical Center	Jacksonville	FL
U915	Munroe Regional Medical Center	Ocala	FL
U906	Orlando Regional Healthcare System	Orlando	FL
H040	Sand Lake Hospital	Orlando	FL
V467	Santafe Healthcare, Inc.	Gainesville	FL
V451	SMK Homestead Hospital	Homestead	FL
U867	South Miami Health System, Inc.	South Miami	FL
U864	St. Cloud Hospital	St. Cloud	FL
V438	St. Luke's Hospital	Jacksonville	FL
V411	Suwannee Hospital, Inc.	Live Oak	FL
U851	Tallahassee Memorial Regional Medical Center	Tallahassee	FL
U839	University Community Hospital, Inc.	Tampa	FL
W532	Upreach Pavilion	Gainesville	FL
U832	Venice Hospital	Venice	FL
W537	Vista Pavilion	Gainesville	FL
V146	Athens Regional Medical Center	Athens	GA
W581	Brooks County Hospital	Quitman	GA
W547	Buford Hospital	Buford	GA
U998	Candler Health System	Savannah	GA
V113	Cobb Hospital & Medical Center	Austell	GA
V014	Colquitt Regional Medical Center	Moultrie	GA
DEIG	Columbus Ambulatory Healthcare Services, Inc.	Columbus	GA
V088	Columbus Regional Healthcare System, Inc.	Columbus	GA
V075	Dekalb Medical Center	Decatur	GA
V004	Floyd Medical Center	Rome	GA
V102	Grady General Hospital	Cairo	GA
V032	Gwinnett Hospital System	Lawrenceville	GA
V078	Hamilton Medical Center, Inc.	Dalton	GA
W548	Joan Glancy Memorial Hospital	Duluth	GA
V390	John D. Archbold Memorial Hospital	Thomasville	GA
V024	Kennestone Hospital	Marietta	GA
P266	Kennestone Hospital at Windy Hill	Marietta	GA
W521	Kennestone Regional Health Care System, Inc.	Marietta	GA
V033	Louis Smith Memorial Hospital	Lakeland	GA
V103	Marion Memorial Hospital and Nursing Home	Buena Vista	GA
V027	Medical Center of Central Georgia	Macon	GA
V100	Mitchell County Hospital Authority	Camilla	GA
V011	Newman Hospital	Newman	GA
V050	Northeast Georgia Health Services, Inc.	Gainesville	GA
DDGR	Northridge Hospital	Columbus	GA
V151	Phoebe Putney Memorial Hospital	Albany	GA
V126	Piedmont Hospital	Atlanta	GA
V099	R.T. Jones Regional Hospital	Canton	GA
V124	Scottish Rite Children's Medical		

	Center	Atlanta	GA
V065	South Fulton Medical Center	East Point	GA
V385	South Georgia Medical Center	Valdosta	GA
DIYT	Summitridge	Lawrenceville	GA
V149	Sumter Regional Hospital	Americus	GA
P264	Burlington Medical Center	Burlington	IA
W423	Covenant Medical Center, Inc.	Waterloo	IA
U638	Covenant Medical Center-Kimball	Waterloo	IA
U637	Covenant Medical Center-W, Ninth	Waterloo	IA
U687	Delaware County Memorial Hospital	Manchester	IA
U750	Floyd County Memorial Hospital	Charles City	IA
U712	Grinnell General Hospital	Grinnell	IA
U677	Henry County Health Center	Mt. Pleasant	IA
U685	Jackson County Public Hospital	Maquoketa	IA
U718	Jefferson County Hospital	Fairfield	IA
U656	Merrill Pioneer Community Hospital	Rock Rapids	IA
P024	Ottumwa Regional Health Center	Ottumwa	IA
U755	Sartori Memorial Hospital	Cedar Falls	IA
U735	St. Luke's Hospital	Davenport	IA
U753	St. Luke's Methodist Hospital	Cedar Falls	IA
U724	The Finley Hospital	Dubuque	IA
U716	Trinity Regional Hospital of Ft. Dodge	Ft. Dodge	IA
H042	Acadia-St. Landry Hospital	Church Point	LA
W533	Alton Ochsner Medical Foundation	New Orleans	LA
T809	Beauregard Memorial Hospital	Deridder	LA
T821	Bunkie General Hospital	Bunkie	LA
T771	Lake Charles Memorial Hospital	Lake Charles	LA
T747	Natchitoches Parish Hospital	Natchitoches	LA
T691	North Caddo Hospital Service District	Vivian	LA
T734	Ochsner Foundation Hospital	New Orleans	LA
T774	Our Lady of Lourdes Regional Medical Center	Lafayette	LA
T829	Our Lady of the Lake Regional Medical Center	Baton Rouge	LA
T733	Pendleton Memorial Methodist Hospital	New Orleans	LA
T840	Rapides Regional Medical Center	Alexandria	LA
T750	St. Francis Medical Center, Inc.	Monroe	LA
T700	Willis-Knighton Medical Center	Shreveport	LA
P020	Willis-Knighton South	Shreveport	LA
R464	Calvert Memorial Hospital Prince	Frederick	MD
R483	Fallston General Hospital	Fallston	MD
R475	Harford Memorial Hospital	Havre de Grace	MD
R487	The Memorial Hospital at Easton, Maryland, Inc.	Easton	MD
W469	Upper Chesapeake Health System, Inc.	Fallston	MD
U542	Abbott-Northwestern Hospital, Inc.	Minneapolis	MN
U622	Arlington Municipal Hospital	Arlington	MN
U484	Bethesda Lutheran Hospital	St. Paul	MN
U604	Canby Community Health Services	Canby	MN
DHLY	Canby Medical Center	Canby	MN

U492	Divine Redeemer Memorial Hospital	South St. Paul	MN
DHZO	Greater Staples Hospital	Staples	MN
U567	Harmony Community Hospital, Inc.	Harmony	MN
W416	Healtheast of Minnesota	St. Paul	MN
U562	Hutchinson Community Hospital	Hutchinson	MN
U546	Immanuel-St. Joseph's Hospital	Mankato	MN
U558	Karlstad Health Facilities	Karlstad	MN
U579	Lake Region Hospital & Nursing Home	Fergus Falls	MN
U556	Lakefield Municipal Hospital& Colonial NURS. Home	Lakefield	MN
W500	Lifespan, Inc.	Minneapolis	MN
U549	Madelia Community Hospital	Madelia	MN
U605	Memorial Hospital	Cambridge	MN
U510	Memorial Hospital and Home	Perham	MN
U536	Methodist Hospital	St. Louis Park	MN
U485	Midway Hospital	St. Louis	MN
U534	Minneapolis Children's Medical Center	Minneapolis	MN
U494	Murray County Memorial Hospital	Slayton	MN
U617	North Country Regional Hospital	Bemidji	MN
U504	Redwood Falls Municipal Hospital	Redwood Falls	MN
V321	Rice Memorial Hospital	Willmar	MN
V328	Ridgeview Medical Center	Waconia	MN
U499	Roseau Area Hospital District	Roseau	MN
P005	Saint Cloud Hospital	St. Cloud	MN
U489	Springfield Community Hospital	Springfield	MN
W455	St. John's Northeast Hospital	Maplewood	MN
U479	St. Joseph's Hospital	St. Paul	MN
U590	St. Luke's Hospital of Duluth	Duluth	MN
P172	St. Peter Community Hospital	St. Peter	MN
U523	Stevens Community Memorial Hospital, Inc.	Morris	MN
U470	Tracy Municipal Hospital	Tracy	MN
U491	Tweeten/Lutheran Health Care Center, Inc.	Spring Grove	MN
V325	Waseca Area Memorial Hospital, Inc.	Waseca	MN
U486	Watonwan Memorial Hospital	St. James	MN
U545	Weiner Memorial Medical Center	Marshall	MN
V319	Windom Area Hospital	Windom	MN
P017	Baldwyn Hospital	Baldwyn	MS
P035	Forrest General Hospital	Hattiesburg	MS
V347	Greenwood Leflore Hospital	Greenwood	MS
V345	Hardy Wilson Memorial Hospital	Hazlehurst	MS
U969	Jeff Anderson Regional Medical Center	Meridian	MS
V356	Magnolia Hospital	Corinth	MS
P075	Memorial Hospital at Gulfport	Gulfport	MS
U976	Moxubee General Hospital	Macon	MS
W176	Ocean Springs Hospital	Ocean Springs	MS
U960	Okolona Community Hospital	Okolona	MS
U951	Oktibbeha County Hospital	Starksville	MS
P007	Singing River Hospital	Pascagoula	MS
VHB5	Singing River Hospital System	Pascagoula	MS
V370	South Panola Community Hospital	Batesville	MS
W267	Southwest Mississippi Regional Medical Center	McComb	MS
V334	St. Dominic-Jackson Memorial Hospital	Jackson	MS
W432	Carolina Medicorp, Inc.	Winston-Salem	NC
W035	Carolinas Medical Center	Charlotte	NC

VV05	Charlotte Mecklenburg Hospital Authority	Charlotte	NC
W034	Charlotte Rehabilitation Hospital	Charlotte	NC
V922	Community General Hospital of Thomasville, Inc.	Thomasville	NC
V968	Davie County Hospital	Mocksville	NC
P015	Forsyth Memorial Hospital	Winston-Salem	NC
W393	Hawthorne Surgical Center	Winston-Salem	NC
V985	Huntersville Oaks Nursing Home	Huntersville	NC
V907	Medical Park Hospital	Winston-Salem	NC
V945	Nash General Hospital, Inc.	Rocky Mount	NC
DSTG	Sardis Nursing Home	Charlotte	NC
W464	University Hospital	Charlotte	NC
W435	Wake County Hospital System, Inc.	Raleigh	NC
V950	Wake Medical Center	Raleigh	NC
V996	Wesley Long Community Hospital, Inc.	Greensboro	NC
DETC	Western Wake Medical Center	Cary	NC
T409	Cavalier County Memorial Hospital	Langdon	ND
T412	Hillsboro Community Hospital	Hillsboro	ND
T411	Jamestown Hospital	Jamestown	ND
T438	Medcenter One Health Systems	Bismarck	ND
P006	St. Luke's Association	Fargo	ND
T417	The United Hospital	Grand Forks	ND
T402	Trinity Medical Center	Minot	ND
T419	Unity Hospital	Grafton	ND
Q104	Eastern New Mexico Medical Center	Roswell	NM
DDLM	Baptist Healthcare of Oklahoma, Inc.	Oklahoma City	OK
V588	Baptist Medical Center of Oklahoma	Oklahoma City	OK
V601	Baptist Regional Health Center	Miami	OK
V631	Bass Memorial Baptist Hospital	Enid	OK
V655	Blackwell Regional Hospital	Blackwell	OK
V653	Bristow Memorial Hospital	Bristow	OK
V586	Deaconess Hospital	Oklahoma City	OK
V638	Drumright Memorial Hospital	Drumright	OK
V637	Duncan Regional Hospital, Inc.	Duncan	OK
V571	Eastern Oklahoma Medical Center	Poteau	OK
V570	Grand Valley Hospital	Pryor	OK
V622	Grove General Hospital	Grove	OK
V544	Hillcrest Medical Center	Tulsa	OK
V666	Jackson County Memorial Hospital	Altus	OK
V658	Jane Phillips Episcopal Hospital, Inc.	Bartlesville	OK
V621	Logan Hospital & Medical Center	Guthrie	OK
V602	McAlester Regional Health Center	McAlester	OK
V660	Memorial Hospital of Southern Oklahoma	Ardmore	OK
V599	Midwest City Regional Hospital	Midwest City	OK
V596	Muskogee Regional Medical Center	Muskogee	OK
V592	Norman Regional Hospital	Norman	OK
Q038	Oklahoma Healthcare Corp.	Oklahoma City	OK
V574	Pawnee Municipal Hospital	Pawnee	OK
DJDL	SMC Health Services Corporation	Oklahoma City	OK
V581	Southwest Medical Center	Oklahoma City	OK
V598	Southwest Medical Center-Moore	Moore	OK
V540	St. John Medical Center	Tulsa	OK
V556	Stillwater Medical Center	Stillwater	OK
V555	Stroud Municipal Hospital	Stroud	OK
V668	Valley View Regional Hospital	ADA	OK
U321	Tuality Community Hospital, Inc.	Hillsboro	OR
U328	Tuality Forest Grove Hospital	Forest Grove	OR

U304	Willamette Falls Hospital	Oregon City	OR
R549	York Hospital	York	PA
V834	Baker Hospital	Charleston	SC
V882	Baptist Medical Center at Columbia	Columbia	SC
V869	Baptist Medical Center Easley	Easley	SC
V889	Roper Hospital	Charleston	SC
VWF3	South Carolina Baptist Hospitals, Inc.	Columbia	SC
T457	Sioux Valley Hospital	Sioux Falls	SD
DJIG	Baptist Healthcare Group	Nashville	TN
DJII	Baptist Healthcare Group-Miller Medical Group	Nashville	TN
DJIH	Baptist Healthcare Group-Nashville MedicalGroup	Nashville	TN
P012	Baptist Hospital, Inc.	Nashville	TN
R865	Clarksville Memorial Hospital	Clarksville	TN
R864	Cookeville General Hospital	Cookeville	TN
R861	Cumberland Medical Center	Crossville	TN
R825	East Tennessee Children's Hospital	Knoxville	TN
VV16	Fort Sanders Alliance	Knoxville	TN
R808	Fort Sanders Loudon Medical Center	Loudon	TN
R821	Fort Sanders Parkwest Medical Center	Knoxville	TN
R824	Fort Sanders Regional Medical Center	Knoxville	TN
P021	Fort Sanders-Sevier Medical Center	Sevierville	TN
R859	Goodlark Medical Center, Inc.	Dickson	TN
R746	Hardin County General Hospital	Savannah	TN
R846	Harriman City Hospital	Harriman	TN
R735	Jessee Holman Jones Hospital	Springfield	TN
R865	Maury Regional Hospital	Columbia	TN
R757	Methodist Medical Center of Oak Ridge	Oak Ridge	TN
R775	Middle Tennessee Medical Center, Inc.	Murfreesboro	TN
R851	Williamson Medical Center	Franklin	TN
S865	All Saints Episcopal Hospital	Fort Worth	TX
W482	All Saints Hospital * Cityview	Fort Worth	TX
T049	Angleton-Danbury General Hospital	Angleton	TX
T044	Arlington Memorial Hospital	Arlington	TX
T020	Baptist Healthcare System	Beaumont	TX
DBZG	Baptist Hospital, Orange	Orange	TX
T943	Baptist Medical Center	San Antonio	TX
W519	Baptist Memorial Hospital System	San Antonio	TX
P495	Baylor Center for Restorative Care	Dallas	TX
W515	Baylor Health Care System	Dallas	TX
S931	Baylor Institute for Rehabilitation	Dallas	TX
S873	Baylor Medical Center at Ennis	Ennis	TX
S836	Baylor Medical Center at Garland	Garland	TX
S817	Baylor Medical Center at Grapevine	Grapevine	TX
T863	Baylor Medical Center at Waxahachie	Waxahachie	TX
S942	Baylor University Medical Center	Dallas	TX
S996	Brownfield Regional Medical Center	Brownfield	TX
S939	Children's Medical Center of Dallas	Dallas	TX
S943	CDON Memorial Hospital & Home	Dalhart	TX
T976	Frio Hospital	Pearsall	TX
T056	High Plains Baptist Hospital	Amarillo	TX
T867	Hillcrest Baptist Medical Center	Waco	TX
U083	Irving Healthcare System	Irving	TX
T894	King's Daughters Hospital	Temple	TX
U046	Lamb Healthcare Center	Littlefield	TX

S815	Limestone Medical Center	Groesbeck	TX
VV00	Lubbock Methodist Hospital System, Inc.	Lubbock	TX
U055	Medical Arts Hospital	Lamesa	TX
U025	Memorial Hospital	Marshall	TX
DAJR	Memorial Hospital - The Woodlands	The Woodlands	TX
U013	Memorial Hospital and Medical Center	Midland	TX
P029	Memorial Hospital Northwest	Houston	TX
P028	Memorial Hospital Southeast	Houston	TX
P009	Memorial Hospital Southwest	Houston	TX
W514	Memorial Hospital System	Houston	TX
DGMK	Methodist Children's Hospital	Lubbock	TX
U035	Methodist Hospital	Lubbock	TX
W560	Methodist Hospital Levelland	Levelland	TX
VV14	Middleton General Hospital	Irving	TX
T875	Mother Frances Hospital	Tyler	TX
DAFF	Muleshoe Area Medical Center	Muleshoe	TX
DFGG	North Central Baptist Hospital	San Antonio	TX
T938	Northeast Baptist Hospital	San Antonio	TX
U087	Northeast Medical Center Hospital	Humble	TX
S978	Panola General Hospital	Carthage	TX
T050	Permian General Hospital	Andrews	TX
S885	Providence Memorial Hospital	El Paso	TX

T958	Richardson Medical Center	Richardson	TX
T946	Shannon Medical Center	San Angelo	TX
T930	Southeast Baptist Hospital	San Antonio	TX
T030	St. David's Health Care System	Austin	TX
T926	St. Luke's Lutheran Hospital	San Antonio	TX
S807	Valley Baptist Medical Center	Harlingen	TX
T886	Wadley Regional Medical Center	Texarkana	TX
U008	Ward Memorial Hospital	Monahans	TX
T850	Wichita General Hospital	Wichita Falls	TX
S870	Wilson Memorial Hospital	Floresville	TX
T913	Wilson N. Jones Memorial Hospital	Sherman	TX
W525	Centra Health, Inc.	Lynchburg	VA
S614	Children's Health System, Inc.	Norfolk	VA
S625	Lynchburg General Marshall Lodge Hospitals, Inc.	Lynchburg	VA
S662	Martha Jefferson Hospital	Charlottesville	VA
S646	Mary Washington Hospital	Fredericksburg	VA
W504	MWH Medicorp	Fredericksburg	VA
S672	National Hospital for Orthopaedics and Rehabilitation	Arlington	VA
S637	Rockingham Memorial Hospital	Harrisonburg	VA
S554	Sentara Bayside Hospital	Virginia Beach	VA
S640	Sentara Hampton General Hospital	Hampton	VA
P004	Sentara Health System, Inc.	Norfolk	VA
S609	Sentara Leigh Hospital	Norfolk	VA
S607	Sentara Norfolk General Hospital	Norfolk	VA
S647	Southampton Memorial Hospital	Franklin	VA
S677	The Alexandria Hospital	Alexandria	VA
S673	The Arlington Hospital	Arlington	VA
S551	The Fauquier Hospital, Inc.	Warrenton	VA
S624	Virginia Baptist Hospital	Lynchburg	VA
W620	Allenmore Hospital	Tacoma	WA
W498	Multicare Medical Center	Tacoma	WA
V361	Tacoma General Hospital	Tacoma	WA

ADA: OWENS & MINOR

BRANCH
- --------------------

ATLANTA
AUGUSTA
BIRMINGHAM
DALLAS
FT.LAUDERDALE
HARLINGEN
HOUSTON
JACKSON
JACKSONVILLE

KNOXVILLE
MEMPHIS
MINNEAPOLIS
NEW ORLEANS
NORFOLK
OKLAHOMA CITY
ORLANDO
PORTLAND
RALEIGH
RICHMOND
SAVAGE
SHREVEPORT

SCHEDULE 3
REGIONAL HEALTH CARE SYSTEMS

VHA ALABAMA, INC.
Two Perimeter Park S., Ste. 404W
Birmingham, AL 35243
(205) 970-2300
FAX: (205) 970-2333

VHA CAROLINAS-TENNESSEE, INC.
Water Oak Bldg.
8720 Red Oak Blvd., Ste. 505
Charlotte, NC 28217
(704) 522-8056
FAX: (704) 522-7912

VHA CENTRAL,INC.
100 Old Wilson Bridge Rd., Ste. 109
Worthington, OH 43085
(614) 436-1165
FAX: (614) 436-4236

VHA EAST, INC.
200 Berwyn Park, Ste. 202
Berwyn, PA 19312
(215) 296-2558
FAX: (215) 296-8850

VHA OF FLORIDA, INC.
3030 N. Rocky Point Dr. W., Ste. 750
Tampa, FL 33607
(813) 281-1080
FAX: (813) 281-1173

VHA GEORGIA, INC.
900 Circle 75 Pkwy., Ste. 1450

Atlanta, GA 30339
(404) 850-7400
FAX: (404) 850-7430

VHA GREAT RIVERS, INC.

235 S. Fifth St.
Springfield, IL 62701
(217) 753-0395
FAX: (217) 753-2078

VHA GULF STATES, INC.
2431 S. Acadian Thruway, Ste. 540
Baton Rouge, LA 70808
(504) 922-4020
FAX: (504) 922-4023

VHA HEALTHFRONT, INC.
600 W. Cummings Park, Ste. 3900
Woburn, MA 01801-6349
(617) 938-9000
FAX: (617) 938-1090

VHA IOWA, INC.
866 First Ave. N.E.
Cedar Rapids, IA 52402
(319) 366-6652
FAX: (319) 366-3050

VHA METRO NEW YORK, INC.
Cedar Plaza
20 Cedar St., Ste. 301
New Rochelle, NY 10801
(914) 633-0064
FAX: (914) 633-0548

VHA MICHIGAN, INC.
3940 Peninsular Dr., SE, Ste. 280
Grand Rapids, MI 49546
(616) 956-6555
FAX: (616) 956-7884

VHA MID-AMERICA, INC.
4400 College Blvd., Ste. 160
Overland Park, KS 66211
(913) 345-2422
FAX: (913) 345-1868

VHA MID-ATLANTIC STATES, INC.
1033 N. Fairfax St., Ste. 400
Alexandria, VA 22314
(703) 549-3031
FAX: (703) 549-3721

VHA MIDLANDS, INC.
7912 Davenport St.
Omaha, NE 68114
(402) 392-2688
FAX: (402) 392-2887

VHA MIDWEST, INC.

O'Hare Corporate Center
1300 W. Higgins Rd., Ste. 210
Park Ridge, IL 60068
(312) 693-7050
FAX: (312) 693-2894

VHA MOUNTAIN STATES, INC.
2060 Broadway, Ste. 300
Boulder, CO 80302
(303) 545-9300
FAX: (303) 444-3704

VHA NEW ENGLAND, INC.
100 Commercial St., Ste. 406
Portland, ME 04101
(207) 761-2905
FAX: (207) 761-2415

VHA OF NEW JERSEY, INC.
68A S. Main St.
Cranbury, NJ 08512
(609) 395-7776
FAX: (609) 395-9050

VHA NORTH CENTRAL, INC.
3600 W. 80th St., Ste. 550
Minneapolis, MN 55431
(612) 896-3424
FAX: (612) 896-3425

VHA OF OKLAHOMA, INC.
Lakepointe Towers West
4013 NW Expwy., Ste. 675
Oklahoma City, OK 73116
(405) 843-1500
FAX: (405) 848-1813

VHA PACIFIC, INC.
Tishman Office Center
2175 N. California Blvd., Ste. 310
Walnut Creek, CA 94596
(510) 933-2121
FAX: (510) 947-1497

VHA PENNSYLVANIA, INC.
Foster Plaza, Bldg. I, 3rd Fl.
415 Holiday Dr.
Pittsburgh, PA 15220
(412) 922-9124
FAX: (412) 922-9345

VHA SOUTHERN NEW ENGLAND, INC.
Winding River Office Park

74 Scott Swamp Rd.
Farmington, CT 06032

(203) 674-1774
FAX: (203) 674-1953

VHA SOUTHWEST, INC.
14901 Quorum Dr., Ste. 200
Dallas, TX 75240
(214) 490-0433
FAX: (214) 490-0204

VHA TRI-STATE, INC.
8900 Keystone Crossing, Ste. 480
Indianapolis, IN 46240
(317) 574-7170
FAX: (317) 574-7173

VHA UPSTATE NEW YORK, INC.
5000 Campuswood Dr., Ste. 102
East Syracuse, NY 13057
(315) 432-1340
FAX: (315) 433-2320

VHA WEST, INC.
12555 W. Jefferson Blvd., Ste. 325
Los Angeles, CA 90066
(310) 578-7654
FAX: (310) 578-7652

VHA WISCONSIN, INC.
Tenney Plaza
3 S. Pinckney St., Ste. 800
Madison, WI 53703
(608) 255-8225
FAX: (608) 255-4435

SCHEDULE 4

PRICING POLICY/PROTOCOL

The objective of this policy/protocol is to achieve the following;

- Ensure accurate pricing to VHA hospitals in a timely manner,
- Provide traceability and accountability of pricing,
- Centralize pricing decisions, and
- Effectively communicate all price revisions.

TIERED OR HOSPITAL EXCEPTION LEVEL PRICING

In the event that it becomes necessary to deviate from the published pricing for any medical/surgical product the following protocol is to be observed.

1) The manufacturer, in conjunction with the appropriate VHA Account Manager will communicate a request for tier revision or hospital exception level pricing to VHA MSBU Product Management on a HOSPITAL EXCEPTION LEVEL PRICING, (HELP) form. (attached)

2) Product Manager/Analyst will review requests.

3) Product Manager/Analyst will approve/disapprove requests.

4) MSBU Distribution & Logistics Services Analyst will telefax approved HELP forms to the Authorized Distribution Agent (ADA) and revised pricing will be available to the hospital in 7 working days.

5) The ADA will communicate back to MSBU Distribution & Logistics Services Analyst in writing confirming the date entered into the ADA system.

6) All approved HELP requests will be on file with the Distribution & Logistics Services Analyst for future reference.

HOSPITAL EXCEPTION LEVEL PRICING
(H.E.L.P. FORM)

VHA Hospital: _____

VHA LIC #: _____

Address: _____

City/State/Zip: _____

Contract #: _____

Current Price Tier: _____ New Price Tier: _____

Effective Date: _____ Review Date: _____

(For Office Use only)

CAT NO	DESCRIPTION	ADA PRICE	HOSP PRICE	USAGE CS/YR	USAGE $/YR
---	---	---	---	---	---

Submitted By: _____
SIGNATURE DATE

VHA+PLUS(R) Product Management: _____
SIGNATURE DATE

ADA Contracts Personnel: _____
SIGNATURE

Return copy to Distribution Analyst-VHA
Fax (214)650-4330

ADA COMPUTER CAPABILITIES AND BACK-UP SYSTEMS

Owens & Minor's hardware configuration is designed for maximum availability and flexibility, integrating the technologies of IBM and DEC to achieve a state-of-the-art physical environment. The entire Owens & Minor data processing environment is referred to as OMNI. EDI data may be received into OMNI through one of two separate systems: the DEC/VAX, once receive, that data is passed to the mainframe and processed. (The DEC/VAX and the IBM Mainframe is headquarterd in Owens & Minor's corporate office, Richmond, Virginia). Regardless of which system actually receives the EDI data, the processing of that data (orders, etc.) is performed on the mainframe.

For example, if a VHA Hospital sends several orders electronically to Owens & Minor via the DEC/VAX; once received, that data is passed to the mainframe and processed. After order confirmations are generated, the data is then passed back to the DEC/VAX. A communications session takes place to electronically transfer the order confirmations back to the VHA Hospital.

Data may also be sent directly to the IBM mainframe, processed and sent back to the originating party (mainframe-to-mainframe). This situation typically occurs between Owens & Minor and its vendors. Some of the larger VHA Hospitals also communicate directly with the IBM mainframe. The DEC/VAX system provides a flexible asynchronous communications environment, and therefore allows Owens & Minor to accommodate many other communication configurations.

Once this data has been received from the VHA Hospital and processed, the data is directed to a controller at the local Owens & Minor Distribution Center. This process takes place within a matter of seconds from the time it is received from the VHA Hospital. If back-orders exist, the customer service representative will manually direct shipment to be made from another Owens & Minor Distribution Center, depending on the urgency of the back-order by the VHA Hospital. OMNI does not automatically spin the back-order to another Distribution center. Due to the fact that Owens & Minor has a record for high fill-rate percentage the decision was made to have manual intervention. We find this to be more efficient and controllable.

Owens & Minor's EDI Systems support both asynchronous and synchronous (bisync) communications. Asynchronous communications are exchanged between the DEC/VAX system and the VHA Hospitals. The IBM mainframe accommodates synchronous communications (bisync/3780 and 3770 protocol). Communications between Owens & Minor and the VHA Hospitals may be direct or through a Value Added Network (VAN).

Currently, Owens & Minor processes EDI data received in the standard ANSI X12 format, Owens & Minor Proprietary format and other varied proprietary formats. Although Owens & Minor encourages the used of ANSI X12 EDI standards, vendor-specific systems may be developed.

EDI data is received from various Remote Order Entry and Material Management Systems. Some of the most commonly used software packages include: QUIKLINK, ESI, and PCtrend (an Owens & Minor product). A complete list of Owens & Minor EDI interfaces is listed on the attached pages (See Owens & Minor "Electronic Data Interchange"). The Owens & Minor Corporate Data Center is backed by an un-interruptable power supply and an emergency generator which enables us to continue to operate during local power outages.

Our computer system is state-of-the-art IBM technology which has been integrated with redundant systems and components to prevent loss of access to the system. This design will switch to backup components in the event of a failure and will automatically call the IBM Support Center supplying the failing component part number and location in the System to expedited dispatch and repair.

The System also has a multiple component architecture which allows us to process in a slightly degraded mode for processors which operate independently. This design permits Owens & Minor to process customer data without interruption.

Data is routinely backed-up and stored off-site. In the event of a major disaster which destroys the corporate date center, arrangements have been made with IBM to establish a HOT SPOT or Data Center within twenty-four (24) hours. Owens & Minor would be able to recover to full business processing capacity within three calendar days of a major disaster to the corporate data center.

In the event of a power outage to a local Owens & Minor Distribution Center, orders would be pulled manually until power can be restored. In the event of a disaster to a local Owens & Minor Distribution Center, EDI and manual orders will be redirected to another Owens & Minor Distribution Center in the immediate area until service can be restored.

SCHEDULE 6
PRICE MATRIX

[This confidential information has been omitted and filed separately with the Commission].

SCHEDULE 7

Designated VHA Member or Affiliate Annual Acknowledgement Form

Price Matrix Slotting for calendar year

Payment Term Selection:

Services Desired:

SCHEDULE 8
PAYMENT TERMS OPTIONS

[This confidential information has been omitted and filed separately with the Commission].

SCHEDULE 9
RETURN GOODS POLICY

I. GENERAL

ADA will accept, for full credit based on original delivered cost, for Contract and Noncontract Product(s),

originally purchased from ADA and returned to ADA in original packaging and in saleable condition within sixty (60) calendar days of the date delivered by ADA. ADA may assess a 25% restocking charge for returned product(s) which are damaged or stickered.
ADA will accept for return, saleable and Contract and Noncontract Product(s) after sixty (60) calendar days, subject to a 15% restocking charge.
ADA will accept for return, Contract or Noncontract Product(s) with expired dating or which have been discontinued by the Vendor, subject to the Vendor's policy. ADA will issue credit for this product, based on the amount credited to ADA by the Vendor.
ADA shall levy no other restocking or morgue charges.
ADA shall follow Vendor policy for returns in the event of a product(s) recall. ADA will provide each Designated VHA Member and Affiliate a copy of the Vendor's policy regarding the recall; if requested.
ADA will supply, upon request by Designated VHA Member or Affiliate, the following:
a) A current list of Vendor addresses for the purpose of obtaining return goods authorization from the Vendor.
b) The names and telephone numbers of the Vendor representatives having authority to authorize the return of product by Designated VHA Member or Affiliate.
c) A list of Vendors who levy a restocking charge on returned product(s) and the amount of that charge.

II. CREDITS
ADA will process Designated VHA Member and Affiliate credits on a daily basis. All credits should appear on the next statement to Designated VHA Members or Affiliates, except for credits processed near the end of the statement period, where because of cutoff dates, the credit will appear on the following statement.
Designated VHA Member or Affiliate will receive a copy of the credit memo within fifteen (15) days after receipt of the return by ADA's Primary Ordering Location.
ADA will issue credit, within fifteen (15) days, for outdated or discontinued product(s) being recalled by the Vendor. In the case of a Vendor recall(s), the Vendor must have authorized ADA to issue credit. ADA will advise Designated VHA Members and Affiliates, by the fifteenth (15th) calendar day of each month, of any credits issued by ADA during the previous month, which remain open.

III. FREIGHT CHARGE ON RETURNED GOODS
ADA vehicles or other prepaid carriers will pick up all product returns authorized by the Primary Ordering Location to be returned. Any freight charges incurred by Designated VHA Members or Affiliates for product returns shipped to the Vendor will be based on the Vendor's policies.

IV. RETURN OF SHIPPING ERRORS, OVERAGES AND DAMAGED PRODUCT
ADA will authorize, via phone, the return of product(s) shipped in error. ADA will pick up the product(s) on ADA's next scheduled delivery to the Designated VHA Member or Affiliate. If ADA utilizes a common carrier to serve Designated VHA Members and Affiliates, ADA shall assume the freight charges for the product(s) to be returned to ADA.

V. ADA WILL NOT ACCEPT RETURNS ON THE FOLLOWING:
a) Any product(s) purchased on a "special order" basis or contrary to the Vendor's policy;
b) Any sterile product(s) or refrigerants, unless

properly protected;
c) Product(s), apparatus or equipment which has been used, or is without original packaging, labeling, or operating manuals;
d) Product(s) with labeling or packaging which is missing, damaged, defaced, or other non-saleable product(s), except as permitted by the Vendor's policy;

e) Seasonal product(s), except according to Vendor's policy (available on request);
f) Open bottles and partial packages of product(s) will not be accepted for return, unless the Vendor has authorized the ADA to accept open bottles and partial packages;
g) Any product(s) purchased direct from the Vendor.

VI. RETURN PROCEDURE

ADA will accept Contract and Noncontract Product(s) returned from Designated VHA Members and Affiliates based on the procedure outlined herein.
a) To receive authorization for the return of product, Designated VHA Members and Affiliates shall contact ADA Primary Ordering Location.
b) Designated VHA Members and Affiliates provide ADA with the following information, if appropriate:
1) Designated VHA Member or Affiliate name and account number as it appears on ADA's invoice.
2) ADA invoice or order number and date.
3) The quantity, product number, price paid form/size, description. Add lot number, serial number, and expiration date of the product, as appropriate. NOTE: A copy of ADA's invoice or packing slip will provide the required information, as may the price stickers.
4) Purchase order number, if applicable.
5) The reason for return.
c) To assure proper credit and handling, product returns should be written and packaged for shipment by the type of product being returned as follows:
1) Refrigerants.
2) Class II through Class V (items must meet DEA procedures).
3) Saleable product(s).
4) Outdated or discontinued product(s).
5) Damaged product(s).
6) Product(s) recalled by Vendor(s).

VII. NOTIFICATION PROCEDURE

ADA agrees to the following notification procedure.
a) Designated VHA Member and Affiliate claims of product shortage, damage, overage, product(s) with an expiration date earlier than six months and products delivered in error, will be reported to ADA in five (5) business days from date of delivery, scheduled drugs will be reported in two (2) business days. No restocking charges apply.
b) In the event of dispute, regarding a delivery damage claim, or a product return not received by ADA, a receipt may be required by ADA prior to issuing credit and to enable ADA to file a claim with the carrier.

SCHEDULE 10

ADA MONTHLY REPORTS TO DESIGNATED VHA MEMBERS AND AFFILIATES

The following reports shall be delivered to each Designated VHA Member and Affiliate by the fifteenth day of the month following

the month's activities reflected in such report.

1. Fill Rate report.
2. Sales report listing the dollar amount and unit volume of each product purchased.
3. Opportunity Work Sheets (attached as Schedule 10A and 10B).
4. Status report on targets and open issues identified at the Member Quarterly Business Review.

SCHEDULE 11
MEMBER QUARTERLY BUSINESS REVIEW TOPICS

Include, but not limited to:

- Review prior quarter's action plan accomplishments
- Update volume of purchases
- Update Utilization (% of total possible dist. business) changes
- Review DSO results and potential savings by improvement
- Review usage of products
- Solicit input on current delivery schedule, customer service, sales service, and product service support
- Develop and agree on action plan for next 90 days
- Establish next review date
- Discuss future product standardization and utilization opportunities

SCHEDULE 12
IV SOLUTION DISTRIBUTION EVALUATION PROCESS
Abbott-ADA-VHA I.V. Solution Distribution

Abbott, ADA and VHA have agreed to the process described below to determine when IV Solutions should be delivered by ADA:

- Abbott will run a supply channel analysis on all current ADA distributed business. This will determine the ADA's current level of compensation by account; Abbott compensation is activity based by account. Once this information is available and no later than November 30, 1993, VHA will notify each involved ADA. A joint meeting between Abbott-ADAs-VHA to review the current compensation by account, and if there are accounts where the compensation level is too low based on the activity required by the ADA, the three parties will reach agreement on the proper level of compensation on all existing business.

With respect to new requests for the ADA distribution of IV Solutions:

- Of the three parties Abbott-ADAs-VHA, whichever is the initial contact by Designated VHA Members or Affiliates, needs to contact the other two parties. VHA Distribution and Logistic Services has offered to be the conduit for contact.
  - If Abbott is the initial contact by Designated VHA Members and Affiliates; Abbott will contact VHA

Distribution and Logistic Services, then Distribution and Logistic Services will contact the ADA and the VHA account manager.

- If ADA is initial contact; ADA will notify VHA Distribution and Logistic Services, who will in turn contact Abbott and the VHA account manager.
- If VHA account manager or Distribution and Logistic Services is the initial contact; VHA will in turn contact Abbott and the ADA.

Once notified, all parties agree to the following process:

- Abbott will contact the Designated VHA Member or Affiliate and gather appropriate information and perform a supply channel analysis. This analysis will detail the costs involved by all parties involved with the distribution of solutions as well as hospitals rebates and ADA compensation. The supply channel analysis will include a line item for ADA markups. Prior to dissemination of the supply channel analysis; the ADA and Abbott will agree on the % of mark up the ADA will charge for distribution of I.V. solutions to the hospital based upon the Designated VHA Member or Affiliate's election to include the IV volume in their slotting on the Price Matrix..
- Once Abbott and the ADA agree on the supply channel analysis, a completed copy will be faxed to VHA, Distribution and Logistic Services. Distribution and Logistic Services will keep a copy on file as well as provide the VHA account manager with a copy.
- Abbott will provide a completed copy of the supply channel analysis to the Designated VHA Member or Affiliate. Abbott and the ADA will jointly present the findings of the supply channel analysis. By presenting the findings jointly to the Designated VHA Member or Affiliate, misunderstandings will be avoided and a stronger partnership provided.

The overall objective is to provide Designated VHA Member or Affiliate with the correct information as quickly as possible. Abbott-ADAs-VHA have agreed to an ongoing review of this process to insure that Designated VHA Member and Affiliate needs are met as quickly as possible.

SCHEDULE 13
ADA REPRESENTATIVE RESPONSIBILITIES

Each ADA will provide, at no cost to the RHCS (Schedule 3), a "Dedicated Representative" to the members of each RHCS in which it has Designated VHA Members and Affiliates. ADA will make known the name, title, address and phone number of each Dedicated Representative to the applicable RHCS no later than December 31, 1993. The Dedicated Representative will be responsible for providing the following services:

(A) Coordinating all distribution activity to the Designated VHA Members and Affiliates it services within the RHCS with the VHA Account Manager for said members.

(B) Actively participate with the RHCS staff:

1. President
2. Vice President
3. Account Manager
4. Other

with initial and ongoing strategic planning to enhance the ongoing Quality Improvement process of the Dedicated Representative to Designated VHA Members and Affiliates.

(C) Actively participate with RHCS Materiels Council.

(D) Actively participate with the following programs:

1. Total Delivered Cost
2. SPIP (Service Performance Improvement Program)
3. Taking Stock(SM)
4. QBR (Quarterly Business Reviews)

(E) Provide the following information monthly as is needed by RHCS staff:

1. Hospital fill rates
2. ADA Representative call reports to Designated VHA Members and Affiliates
3. Matrix management update
4. Monthly Designated VHA Member and Affiliate complaint update with resolutions
5. Monthly tracking of invoice errors
6. Monthly tracking of percentage of returned goods
7. Monthly utilization
8. Monthly reports on backorder
9. Monthly manufacturer fill rate reports
10. Monthly NonContract and Contract reports

(F) Total responsibility to the ADA on the ADA Agreement.

1. Verification and collection ongoing of utilization data.
2. Matrix management
   - Annual Slotting
   - Services needed
   - Payment Terms
   - EOE Requirements
3. Strategic Planning of initial and ongoing distribution services at:
   - RHCS
   - Designated Member and Affiliate
4. QBR/MUM - ensure rebates and matrix changes are done quarterly and timely.
5. Communication link between the Designated VHA Member and Affiliate, RHCS, ADA branch and ADA corporate headquarters.

(G) Dedicated Representative to each RHCS will also serve in the same capacity to any non-aligned Designated VHA Member and Affiliate serviced in the same geographic area as RHCS.

(H) Based on the Designated VHA Member's or Affiliate's requirements, ADA Representatives will plan their schedule of visits to Designated VHA Members and Affiliates based upon mutual agreement on frequency of visits.

(I) ADA shall provide a sales representative to call on each VHA Member and Affiliate. ADA's sales representatives shall be thoroughly trained in each Designated VHA Member's and Affiliate's operations and purchasing characteristics.

(J) If at anytime during the term of this Agreement the Designated VHA Member or Affiliate feels that ADA's service is inadequate or that there is a problem with the ADA sales representation, the Designated VHA Member or Affiliate has the following alternatives:

1. The Designated VHA Member or Affiliate may contact its ADA sales representative regarding service issues.
2. The Designated VHA Member or Affiliate will have access to the ADA National Accounts Representative to register any concern directly to ADA's corporate office.
3. The Designated VHA Member or Affiliate may contact its VHA Account Manager or its VHA Distribution and Logistics Service Manager.

ADA has agreed to respond to any inquiry within one (1) business day after receipt. A monthly summary of the inquiries received will be provided to VHA for review and follow-up where needed.

SCHEDULE 14
ADA LOGISTIC SERVICES

- Operational Analysis
  - ADA agrees to position Taking Stock(SM) as the most cost effective means for a hospital to understand, develop and implement a plan for improved materials logistic operations.
  - ADA agrees to provide resources to learn and understand the Taking Stock(SM) program and position the program within its own organization.
  - ADA agrees to provide local training on Taking Stock(SM) to its Dedicated Resources to VHA, for supporting Hospital initiatives with VHA.
  - VHA agrees to provide the initial marketing and education to the hospital.
  - ADA agrees that it will only position its own logistic services to hospitals after positioning the value of Taking Stock(SM) initially.
  - Asset Management

SUTURE INVENTORY MANAGEMENT:

The ADA agrees, upon request of the VHA health care organization and in conjunction with the VHA suture contract manufacturer, to conduct an initial examination of the hospital's inventory, including a physical inventory and purchase and usage history reviews. The ADA will provide written analysis that will identify overstocking and isolate unnecessary expenditures with buy back arrangements. The ADA will recommend usage levels for each hospital department, reorganize storage areas and systems, provide on-site inventory services, provide regular reports and reviews and establish goals and performance measures. The ADA will assist the hospital in all efforts to lower overall suture inventory and improve their cash flow to reduce overall annual suture expense.

CATH LAB MANAGEMENT:

The ADA agrees, upon request of the VHA health care organization, to work with the Director of Materiels Manager, the physician, the department head and the VHA contract manufacturer to reduce the number of purchase orders and over-night deliveries and consolidate vendors. The ADA will deliver product to the designated area, manage the inventory, provide a clean room to store the product, maintain specialty carts (for delivery) and sit on the hospital's evaluation committee for new products.

INVENTORY BUY-DOWN:

The ADA agrees, as an integral part of asset management, to reduce the hospital's un-official and official inventory by buying-down inventory to a manageable level and removing obsolete inventory. The ADA will pay the price that the hospital is currently paying for inventory buy-back.

CONTINUOUS INVENTORY REPLENISHMENT PROGRAM:

The ADA agrees to support the development of a continuous inventory replenishment program at the manufacturer level by having in place the ANSI X.12 867, 852, 855 and 861 transaction sets and proactively working with VHA and the 80/20 VHA contract vendors to create a seamless system.

HOSPITAL COST FOR ACCESS TO PROGRAM

Initial consultation and evaluation
- No cost

Utilization of the program
- Fee locally negotiated

SCHEDULE 15
SERVICE MATRIX
[This confidential information has been omitted and filed separately with the Commission].

SCHEDULE 16
ADA DISASTER PLAN

If a major natural disaster or other emergency situation occurs in a service area affecting a VHA Hospital, the following emergency procedure will be implemented immediately:

- Within one(1) hour of the occurrence, Owens & Minor will attempt to establish communication with the VHA Hospitals in the service area affected via the following means:
  - Phone (standard or cellular)
  - EDI
  - Two-way radio communications with the hospital's telecommunications center or a pre-designated coordinator.
  - On site, direct contact
- Once communications are established, hospital product needs will be determined based upon current daily order requirements and projected emergency needs identified by the hospitals (i.e., shipping seven day of supplies versus one).
- Depending upon the extent of emergency situation, communications may be established with State Police and National Guard.
- Emergency back-up supplies can be drawn from other Owens & Minor divisions as needed.
- Depending upon the extent of emergency situation, the most expedient form of transporation, (i.e., air or ground) will be determined and coordianted with the State Police and National Guard.
- Each Owens & Minor Distribution Center will meet with the VHA Hospitals by region and develop a detail disaster plan to meet the requirements of each VHA Hospital within that region.
- Once established, the Disaster Plan will be tested for its effectiveness and to ensure that it meets the requirements of the VHA Hospitals in that region.

SCHEDULE 17
ADA COMPUTER CAPABILITIES AND BACK-UP SYSTEMS
See Schedule 5

SCHEDULE 18

ADA EDI CAPABILITIES

ADA shall be fully capable of supporting the following electronic data interchange (EDI) transaction sets in the ANSI X 12 format:

832	Price sales catalog
850	Purchase order
820	Payment order/remittance advice
810	Invoice
846	Inventory inquiry/advice
812	Credit/debit
867	Product transfer/sales report

SCHEDULE 19

ADA REPORTS TO VHA

No later than the tenth day of each month, ADA shall deliver to VHA the two tape reports reflecting the sales activity for the previous month and a diskette containing the information required in Attachment 1. Such reports shall be in the format described in Attachment 1 to this Schedule and shall include: sales of Contract Products and Noncontract Products by each Designated VHA Member and Affiliate, fill rate by customer, matrix slotting and net cost plus by customer, Quarterly Performance Bonuses earned and paid. The information required in the diskette shall also be provided in hard copy format by the tenth of the month.

ADA shall also provide VHA with the following reports by the 15th of each month.

- List of additional services provided to Designated VHA Member and Affiliates pursuant to Section 7 (G).
- Summary of monthly inquiries to ADA's National Account Representative.
- List of Vendor backorders for the month. For each Vendor with backorders, ADA shall report lines ordered and lines delivered.

All reports to VHA shall be directed to VHA's Director of Distribution.

SCHEDULE 20

PRODUCTS ON WHICH VHA FEE IS DUE

None as of January 1, 1994

SCHEDULE 21

PROBLEM RESOLUTION POLICY

Team Problem-Solving Process.
Date Problem was Identified.
Problem.
Identify Problem/Situation.
Evaluate Consequences.
- Does a problem, in fact, exist?
Cause.
Identify Root Causes.
Evaluate Causes.

- Select which ones to work on.
Solution.
Identify Solutions.
Evaluate Solutions.
- Select which ones to put into action.
- Estimate measure of completion.
Communicate to Customer.

Identify Person Responsible.
Implementation.
Identify Implementation Steps.
Evaluate Steps.
- Select Steps.
- Assign Accountabilities.
Evaluation.
Evaluate Overall Success.
- Was the Problem Solved?
- Verity Measure of Completion.

All problems should be resolved within 30 days.
If not resolved, VP of sales informed of problem on 31st day.
If not resolved, president of company is informed of problem on 46th day.

SCHEDULE 22
ADA SERVICE LEVELS

(A) Provide reports on Trend Development
(B) Monthly reports for Quality Improvement
1. ADA Representative Visit to Hospitals
Hospitals called on
Dates
Key issues
2. ADA-VHA Meetings
Dates
Attendees
Purpose of meeting
Outcomes
3. ADA-VHA RHCS Meetings
Dates
Attendees
Purpose of meeting
Outcomes
4. ADA-DSVP/DD Meetings
Dates
Attendees
Purpose of meeting
Outcomes
5. Matrix Utilization Meetings (MUM)
Dates
Attendees
Purpose of meeting
Outcomes
6. Monthly Matrix-Rebate Update
Hospital actual matrix performance vs slotting
7. Monthly Complaint Report - ADA
List of complaints
Resolution
8. Monthly Tracking of Invoice Errors by ADA
Number or errors

Resolution
Corrective action to ensure problem will not occur again

9. Monthly Report of Returned Goods - ADA Hospital
10. Monthly Service Levels
11. Monthly Tiered Pricing Exception Report
12. Monthly Report on Backorder
13. Monthly Report on VHA Contract Manufacturer Fill Levels
14. Monthly Report on Service Matrix Performance to Slotting

Exhibit 11

OWENS & MINOR, INC. AND SUBSIDIARIES

Calculation Of Net Income Per Share

(In thousands, except per share amounts)

	Year ended December 31,		
	1993	1992	1991
Net income from continuing operations	$ 18,517	$15,435	$ 9,669
Discontinued operations:			
Income from discontinued operations, net of taxes	-	77	2,358
Gain on disposals, net of other provisions and taxes	911	5,610	-
Cumulative effect of change in accounting principles	706	(730)	-
Net income applicable to common shares	$ 20,134	$20,392	$12,027
Weighted average common shares and common share equivalents:			
Common shares outstanding	20,285	19,596	19,386
Common share equivalents-dilutive stock options	390	192	255
Weighted average common shares and common share equivalents	20,675	19,788	19,641
Net income per share:			
Continuing operations	$ .90	$ .78	$ .49
Discontinued operations	.04	.29	.12
Cumulative effect of change in accounting principles	.03	(.04)	-
Net income per share	$ .97	$ 1.03	$ .61

Financial Information

Contents

Management's Discussion and Analysis of Operations and Financial Condition

Selected Financial Data

(in thousands, except ratios and per share data)	Year ended December 31, 1993	1992	1991
Income Statement Data:			
Continuing operations:			
Net sales	$1,396,971	$1,177,298	$1,021,014
Cost of sales	1,249,660	1,052,998	918,304
Gross margin	147,311	124,300	102,710
Selling, general and administrative expenses	106,362	90,027	77,082
Depreciation and amortization	7,593	5,861	4,977
Interest expense, net	2,939	2,472	4,301
Total expenses	116,894	98,360	86,360
Income before income taxes	30,417	25,940	16,350
Provision for income taxes	11,900	10,505	6,681
Net income from continuing operations	18,517	15,435	9,669
Discontinued operations:			
Income from discontinued operations, net of taxes	-	77	2,358
Gain on disposals, net of other provisions and taxes	911	5,610	-
Cumulative effect of change in accounting principles	706	(730)	-
Net income	$ 20,134	$ 20,392	$ 12,027
Selected Financial Information:			
Net income per share:			
Continuing operations	$ .90	$ .78	$ .49
Discontinued operations	.04	.29	.12
Cumulative effect of change in accounting principles	.03	(.04)	-
Net income per share	$ .97	$ 1.03	$ .61
Cash dividends per share	$ .210	$ .165	$ .132
Weighted average common shares and common share equivalents	20,675	19,788	19,641
Price Range of Common Stock Per Share:			

High	$ 23.38	$ 15.17	$ 16.17
Low	$ 12.63	$ 11.00	$ 6.25
Selected Ratios:			
Gross margin as a percent of net sales*	10.5%	10.6%	10.1%
Selling, general and administrative expenses as a percent of net sales*	7.6%	7.7%	7.6%
Average receivable days sales outstanding*	34.2	35.7	38.1
Average inventory turnover*	11.5	11.4	11.1
Return on average equity*	14.6%	14.4%	10.6%
Current ratio	2.0	1.8	1.9
Balance Sheet Data:			
Working capital	$ 139,091	$99,826	$122,675
Total assets	334,322	274,540	311,786
Long-term debt	50,768	24,986	67,675
Capitalization ratio	27.1%	17.6%	41.1%
Stockholders' equity	136,943	116,659	97,091
Stockholders' equity per share outstanding	$ 6.75	$ 5.95	$ 5.01

<FN>
*Continuing operations only.

Year ended December 31,

	1990	1989	1988	1987	1986	1985	1984	1983
Income Statement Data:								
Continuing operations:								
Net sales	$916,709	$708,089	$500,435	$367,034	$272,222	$199,294	$170,777	$147,640
Cost of sales	827,441	641,011	445,456	326,651	239,170	171,099	145,990	125,040
Gross margin	89,268	67,078	54,979	40,383	33,052	28,195	24,787	22,600
Selling, general and administrative expenses	67,171	57,943	42,668	31,302	26,204	23,196	21,262	20,271
Depreciation and amortization	4,210	2,795	2,416	1,922	1,319	1,050	772	590
Interest expense, net	5,858	5,078	2,230	2,006	1,789	1,303	1,279	1,288
Total expenses	77,239	65,816	47,314	35,230	29,312	25,549	23,313	22,149
Income before income taxes	12,029	1,262	7,665	5,153	3,740	2,646	1,474	451
Provision for income taxes	4,634	628	3,032	2,148	1,806	1,224	652	207
Net income from continuing operations	7,395	634	4,633	3,005	1,934	1,422	822	244
Discontinued operations:								
Income from discontinued operations, net of taxes	1,380	1,855	3,734	3,481	2,968	2,986	2,815	2,766
Gain on disposals, net of other provisions and taxes	-	-	-	-	-	-	-	-
Cumulative effect of change in accounting principles	-	-	-	-	-	-	-	-
Net Income	$ 8,775	$ 2,489	$ 8,367	$ 6,486	$ 4,902	$ 4,408	$ 3,637	$3,010
Selected Financial Information:								
Net Income per share:								
Continuing operations	$ .39	$ .03	$ .24	$ .16	$ .11	$ .09	$ .06	$ .02
Discontinued operations	.07	.10	.20	.19	.16	.18	.22	.26
Cumulative effect of change in accounting principles	-	-	-	-	-	-	-	-
Net income per share	$ .46	$ .13	$ .44	$ .35	$ .27	$ .27	$ .28	$ .28
Cash dividends per share	$ .115	$ .115	$ .113	$ .098	$ .089	$ .080	$ .071	$ .058
Weighted average common shares and common share equivilants	19,170	18,941	18,842	18,791	18,468	16,163	12,839	10,799
Price Range of Common Stock Per Share:								
High	$ 6.67	$ 7.06	$ 6.78	$ 6.55	$ 6.00	$ 5.41	$ 3.06	$ 3.80
Low	$ 4.78	$ 5.06	$ 3.93	$ 3.48	$ 3.93	$ 2.62	$ 2.22	$ 2.52
Selected Ratios:								
Gross margin as a percent of net sales*	9.7%	9.5%	11.0%	11.0%	12.1%	14.1%	14.5%	15.3%
Selling, general and administrative expenses as a percent of net sales*	7.3%	8.2%	8.5%	8.5%	9.6%	11.6%	12.5%	13.7%
Average receivable days sales outstanding*	39.2	41.4	41.0	41.0	40.6	45.9	44.0	44.3
Average inventory turnover*	10.8	8.5	7.6	8.0	8.3	7.9	7.0	5.7
Return on average equity*	9.1%	.8%	6.3%	5.4%	5.0%	4.2%	2.7%	1.0%
Current ratio	1.9	2.4	2.7	2.8	2.7	2.6	3.0	2.8
Balance Sheet Data:								
Working capital	$117,983	$133,309	$106,545	$ 89,056	$71,317	$54,248	$44,840	$35,897
Total assets	290,233	258,683	189,916	154,390	126,779	96,825	74,702	62,130
Long-term debt	71,339	85,324	46,819	33,713	42,562	27,546	20,092	12,658
Capitalization ratio	45.6%	52.4%	37.8%	32.3%	51.0%	43.4%	38.5%	30.2%
Stockholders' equity	85,002	77,560	77,170	70,761	40,878	35,914	32,059	29,320
Stockholders' equity per share outstanding	$ 4.49	$ 4.13	$ 4.12	$ 3.78	$ 3.07	$ 2.77	$ 2.53	$ 2.31

<FN>
*Continuing operations only.

Owens & Minor, Inc. and Subsidiaries

Results of Operations
1993 Compared to 1992

Continuing Operations:
Net Sales
Net sales from continuing operations increased 18.7% to $1.4 billion in 1993. Same store sales increased 15.0%. The increase is primarily the result of increased account penetration, the development of new partnerships with key customers around the country, market share improvement due to the continuing consolidation in the industry, the sale of new products and lines and the opening or acquisitions of six new distribution centers. Net sales under the VHA contract increased by $72.6 million, or 18.8%, to $459.6 million in 1993.

Gross Margin
Gross margin as a percent of net sales decreased by .1 percentage points to 10.5% in 1993. This decrease is a result of continued margin pressure and a greater percentage of business coming from major national accounts. The margin decrease was offset through aggressive and strategic buying practices, the development of revenue-producing value-added services for our customers and tighter control of price and contract adjustments using electronic data interchange (EDI).

Selling, General and Administrative Expenses
Selling, general and administrative expenses decreased to 7.6% of net sales in 1993 from 7.7% in 1992. This decrease was primarily the result of the Company's effort to reduce administrative expenses to offset the margin decrease. The decrease in administrative expense was partially offset with the costs of opening new distribution centers in Birmingham, Detroit, Boston and Seattle. The Company also continued its committment to quality through investing

in training and
information system technology development.

Interest Expense, net
Net interest expense increased $.5 million to $2.9 million in 1993. The average interest rate
decreased from 8.3% in 1992 to 6.5% in 1993. The increase in interest expense was primarily the
result of increased borrowings to finance the new distribution centers discussed above, the
acquisitions of Lyons Physician Supply Company in Youngstown, Ohio and A. Kuhlman & Company in
Detroit, Michigan and increased inventory from product line expansion.

Income Taxes
The effective tax rate decreased by 1.4 percentage points from 40.5% in 1992 to 39.1% in 1993. A
reconciliation of the statutory income tax rate to the Company's effective income tax rate is
provided in Note 10 of the Notes to Consolidated Financial Statements.

Net Income
Net income increased by $3.1 million to $18.5 million in 1993. Net income per share increased by
$.12 to $.90 per share in 1993.

Discontinued Operations
The Company's divestitures of the Wholesale Drug and Specialty Packaging Divisions are discussed
in Note 2 of the Notes to Consolidated Financial Statements.

Change in Accounting Principle
Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No.
109, Accounting for Income Taxes. The cumulative effect of this change in accounting for income
taxes resulted in
a benefit of $.7 million in 1993.

Results of Operations
1992 Compared to 1991
Continuing Operations:

Net Sales

Net sales from continuing operations increased 15.3% to $1.2 billion in 1992. The increase is
primarily the result of increased account penetration, the development of new partnerships with
key customers around the country, market share improvement due to the continuing consolidation
in the industry and the sale of new products and lines. Net sales under the VHA contract
increased by $31.4 million, or 8.8%, to $387.0 million in 1992.

Gross Margin
Gross margin as a percent of net sales increased by .5 percentage points to 10.6% in 1992. This increase reflects more aggressive and strategic buying practices, the development of revenue-producing value-added services for our customers and tighter control of price and contract adjustments using electronic data interchange (EDI).

Selling, General and Administrative Expenses
Selling, general and administrative expenses increased to 7.7% of net sales in 1992 from 7.6% in 1991. This increase reflects a continued investment in our quality process, training, monetary incentives for the accomplishment of team and Company goals and increased information systems costs.

Interest Expense, net
Net interest expense decreased $1.8 million to $2.5 million in 1992 and the average interest rate increased from 8.0% in 1991 to 8.3% in 1992. The decrease in interest expense is primarily the result of paying off debt with cash proceeds received from the divestitures of the Wholesale Drug Division and Vangard Labs, Inc. as discussed in Note 2 of the Notes to Consolidated Financial Statements. The increase in the average interest rate is primarily the result of the repayment of the Company's variable rate debt versus higher fixed rate debt.

Income Taxes
The effective tax rate decreased by .4 percentage points from 40.9% in 1991 to 40.5% in 1992. A reconciliation of the statutory income tax rate to the Company's effective income tax rate is provided in Note 10 of the Notes to Consolidated Financial Statements.

Net Income

Net income increased by $5.8 million to $15.4 million in 1992. Net income per share increased by $.29 to $.78 per share in 1992. A 3 for 2 stock split was distributed on March 22, 1993, to shareholders of record as of March 8, 1993.

Discontinued Operations
The Company's divestitures of the Wholesale Drug and Specialty Packaging Divisions are discussed in Note 2 of the Notes to Consolidated Financial Statements.

Change in Accounting Principle

In 1992, the Company elected early adoption of the provisions of Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions. In applying this pronouncement, the Company recognized the accumulated postretirement benefit obligation as of the beginning of 1992 of $.7 million.

Financial Condition

Liquidity and Capital Resources

The Company uses a number of measurements of liquidity and capital resources for internal management purposes and evaluation. These measurements, which relate to asset management, working capital and leverage, are summarized below:

	Year ended December 31,		
	1993	1992	1991
Average asset turnover*	4.6	4.5	4.3
Average inventory turnover*	11.5	11.4	11.1
Average receivable days sales outstanding*	34.2	35.7	38.1
Working capital (000's)	$139,091	$99,826	$122,675
Current ratio	2.0	1.8	1.9
Inventory ownership*	15.3%	6.1%	8.6%
Capitalization ratio (long-term debt to long-term debt plus equity)	27.1%	17.6%	41.1%

*Continuing operations only.

Asset Management

For continuing operations, average asset turnover increased to 4.6 in 1993 from 4.5 in 1992; average inventory turnover increased to 11.5 in 1993 from 11.4 in 1992; and average receivable days outstanding decreased to 34.2 days in 1993 from 35.7 days in 1992. The current ratio improved to 2.0 in 1993 from 1.8 in 1992.

The improvement in average inventory turnover resulted from continued strengthening of inventory controls. Average receivable days sales outstanding decreased as a result of the continued emphasis placed on accounts receivable controls.

Working Capital

Working capital increased by $39.3 million to $139.1 million in 1993. The increase in working capital is primarily due to increased inventory from product line expansion and increased

accounts receivable from sales volume growth.

Leverage
Long-term debt, including current maturities, increased by $24.4 million in 1993 to $52.3 million. The capitalization ratio increased from 17.6% in 1992 to 27.1% in 1993. The increase in long-term debt was necessary to finance new distribution centers in Birmingham, Detroit, Boston, and Seattle, two acquisitions, Lyons Physician Supply Company in Youngstown, Ohio and A. Kuhlman & Company in Detroit and increased inventory from product line expansion. In November 1993, the Company repaid the $12.0 million outstanding principle balance of the 9.3% Senior Notes. (See Note 6 of the Notes to Consolidated Financial Statements.)

Inflation
It is the Company's policy to pass through price increases from suppliers. However, these increases are offset where possible with savings in productivity and volume. The effects of inflation on inventories are reflected in net income because the Company uses the LIFO inventory method.

VHA Agreement

The Company entered into a new supply agreement with VHA in November 1993. Under the provisions of the new agreement, commencing on April 1, 1994, the Company will sell products to VHA-member hospitals and affiliates on a variable cost-plus basis that is generally dependent upon dollar volume of purchases and percentage of total products purchased from the Company. Accordingly, as the Company's sales to and penetration of VHA-member customers increase, the cost-plus pricing charged to such customers decreases. Prior to April 1, 1994, products were sold on a straight cost-plus basis. Although the new cost-plus pricing formulation is likely to reduce the Company's overall gross margin, any such reduction may be offset in whole or in part by the combined effect of increased sales to and penetration of VHA-member customers resulting from the new pricing formulation, additional amounts that the Company may charge such customers for certain value-added services and operating efficiencies and economies of scale associated with increased sales to VHA-member customers.

Stuart Medical Proposal

On December 22, 1993, the Company entered into an agreement with Stuart Medical, Inc. whereby the companies will combine their two businesses. See Note 2 of the Notes to Consolidated Financial Statements for further discussion of this combination.

Consolidated Statements of Income
Owens & Minor, Inc. and Subsidiaries

(in thousands, except per share data)	Year ended December 31, 1993	1992	1991
Continuing operations:			
Net sales	$1,396,971	$1,177,298	$1,021,014
Cost of sales	1,249,660	1,052,998	918,304
Gross margin	147,311	124,300	102,710
Selling, general and administrative expenses	106,362	90,027	77,082
Depreciation and amortization	7,593	5,861	4,977
Interest expense, net	2,939	2,472	4,301
Total expenses	116,894	98,360	86,360
Income before income taxes	30,417	25,940	16,350
Provision for income taxes	11,900	10,505	6,681
Net income from continuing operations	18,517	15,435	9,669
Discontinued operations:			
Income from discontinued operations, net of taxes	-	77	2,358
Gain on disposals, net of other provisions and taxes	911	5,610	-
Cumulative effect of change in accounting principles	706	(730)	-
Net income	$ 20,134	$ 20,392	$12,027
Net income per share:			
Continuing operations	$ .90	$ .78	$ .49
Discontinued operations	.04	.29	.12
Cumulative effect of change in accounting principles	.03	(.04)	-
Net income per share	$ .97	$ 1.03	$ .61
Cash dividends per share	$ .210	$ .165	$ .132
Weighted average common shares and common share equivalents	20,675	19,788	19,641

<FN>
See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets
Owens & Minor, Inc. and Subsidiaries

(in thousands)	December 31, 1993	1992
Assets		
Current assets		
Cash and cash equivalents	$ 2,048	$ 7,068
Accounts and notes receivable, less allowances of $4,678 in 1993 and $4,442 in 1992	144,629	116,984
Merchandise inventories	124,848	92,973
Other current assets	10,638	12,050
Total current assets	282,163	229,075
Property and equipment, net	23,863	22,037
Excess of purchase price over net assets acquired, net	17,316	14,621
Other assets	10,980	8,807
Total Assets	$334,322	$274,540
Liabilities and Stockholders' Equity		
Current liabilities		
Current maturities of long-term debt	$ 1,494	$ 2,882
Accounts payable	120,699	103,235
Accrued payroll and related liabilities	5,768	5,674
Other accrued liabilities	15,111	17,458
Total current liabilities	143,072	129,249
Long-term debt	50,768	24,986
Accrued pension and retirement plan	3,539	3,646
Total liabilities	197,379	157,881
Stockholders' equity		
Preferred stock, par value $10.00 per share; authorized-1,000 shares; none issued	-	-
Series A Participating Cumulative Preferred stock, par value $10.00 per share; authorized-300 shares; none issued	-	-
Common stock, par value $2.00 per share; authorized-30,000 shares; issued-20,285 shares in 1993 and 19,596 shares in 1992	40,569	39,191
Paid-in capital	9,258	8,007
Retained earnings	87,116	69,461
Total stockholders' equity	136,943	116,659
Commitments and contingencies		
Total Liabilities and Stockholders' Equity	$334,322	$274,540

See Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity
Owens & Minor, Inc. and Subsidiaries

(in thousands, except per share data)	Common Shares Outstanding	Common Stock	Paid-in Capital	Retained Earnings	Total
Balance December 31, 1990	8,422	$16,843	$25,554	$42,605	$ 85,002
Net income	-	-	-	12,027	12,027
Cash dividends ($.132 per share)	-	-	-	(2,551)	(2,551)
Proceeds from exercised stock options, including tax benefits realized of $563	190	380	1,996	-	2,376
Acquisition related payout	26	53	347	-	400
Stock split (three-for-two)	4,286	8,572	(8,578)	-	(6)
Retirement plan liability adjustment	-	-	-	(157)	(157)
Balance December 31, 1991	12,924	25,848	19,319	51,924	97,091
Net income	-	-	-	20,392	20,392
Cash dividends ($.165 per share)	-	-	-	(3,224)	(3,224)
Proceeds from exercised stock options, including tax benefits realized of $493	85	170	759	-	929
Common stock issued for incentive plan	15	30	269	-	299
Acquisition related payout	40	79	724	-	803
Stock split (three-for-two)	6,532	13,064	(13,064)	-	-
Retirement plan liability adjustment	-	-	-	369	369
Balance December 31, 1992	19,596	39,191	8,007	69,461	116,659
Net income	-	-	-	20,134	20,134
Cash dividends ($.210 per share)	-	-	-	(4,222)	(4,222)
Proceeds from exercised stock options, including tax benefits realized of $495	119	239	1,256	-	1,495
Common stock issued for incentive plan	31	62	387	-	449
Pooling of interests with Lyons Physician Supply Co.	476	951	(1,189)	1,743	1,505
Acquistion related payout	63	126	797	-	923
Balance December 31, 1993	20,285	$40,569	$ 9,258	$ 87,116	$136,943

<FN>
See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows
Owens & Minor, Inc. and Subsidiaries

Year ended December 31,

(in thousands)	1993	1992	1991
Operating Activities			
Net income and noncash charges			
Net income	$20,134	$20,392	$12,027
Noncash charges to income			
Gain on disposals of business segments, net	(911)	(5,610)	-
Cumulative effect of change in accounting principles	(706)	730	-
Depreciation and amortization	7,593	5,861	6,070
Provision for losses on accounts and notes receivable	497	1,351	1,506
Provision for LIFO reserve	661	1,056	3,816
Other, net	897	1,135	554
Cash provided by net income and noncash charges	28,165	24,915	23,973
Changes in working capital			
Accounts and notes receivable	(23,424)	5	(11,414)
Merchandise inventories	(28,232)	359	(3,798)
Accounts payable	13,307	(8,885)	3,635
Net change in other current assets and current liabilities	(258)	(10,591)	3,366
Other, net	431	(2,112)	904
Cash provided by (used for) operating activities	(10,011)	3,691	16,666
Investing Activities			
Proceeds from disposals of business segments	-	50,920	-
Business acquisitions, net of cash acquired	(2,416)	-	(3,052)
Additions to property and equipment	(6,288)	(4,955)	(5,947)
Other, net	(3,377)	(2,535)	(257)
Cash provided by (used for) investing activities	(12,081)	43,430	(9,256)
Financing Activities			
Cash dividends paid	(4,222)	(3,224)	(2,551)
Additions to long-term debt	37,000	-	-
Reductions of long-term debt	(17,471)	(44,619)	(7,542)
Other short-term financing	765	6,599	(1,700)
Stock split fractional shares	-	-	(6)
Exercise of options	1,000	436	1,813
Cash provided by (used for) financing activities	17,072	(40,808)	(9,986)
Net increase (decrease) in cash and cash equivalents	(5,020)	6,313	(2,576)
Cash and cash equivalents at beginning of year	7,068	755	3,331
Cash and cash equivalents at end of year	$ 2,048	$ 7,068	$ 755

<FN>
See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Owens & Minor, Inc. and Subsidiaries

Note 1 - Summary of Significant Accounting Policies
Principles of Consolidation
The consolidated financial statements include the accounts of the Company and

its wholly
owned subsidiaries. All significant intercompany accounts and transactions have
been eliminated.

Cash and Cash Equivalents
   Cash and cash equivalents include cash and marketable securities with an
original maturity
at the date of purchase of three months or less. The carrying amount of
marketable securities
approximates fair value because of the short maturity of these instruments.

Merchandise Inventories
   Merchandise inventories are valued at the lower of cost or market with the
cost of all
inventories determined on a last-in, first-out (LIFO) basis.

Property and Equipment
   Additions to property and equipment are recorded at cost. At inception,
capital leases are
recorded at the lesser of fair value of the leased property or the discounted
present value of
the minimum lease payments. The cost of assets sold or retired and the related
amounts of
accumulated depreciation and amortization have been eliminated from the accounts
in the year of
sale or retirement and the resulting gain or loss has been reflected in
operations. Normal
maintenance and repairs are expensed as incurred, and renovations and
betterments are
capitalized.
   Depreciation is computed on the straight-line method over the estimated
useful lives of
the various assets. Capital leases and leasehold improvements are amortized by
the straight-line
method over the shorter of their estimated useful lives or the term of the
lease. Accelerated
methods and lives are used for income tax reporting purposes. Estimated useful
lives for

financial reporting purposes are:

Assets	Estimated Useful Life
Buildings and improvements	20-50 years
Furniture, fixtures and equipment	3-10 years
Vehicles	3-6 years

Excess of Purchase Price Over Net Assets Acquired
   The excess of purchase price over net assets acquired (goodwill) is being
amortized on a
straight-line basis over 40 years from the dates of acquisition.

Computer Software
   Computer software, purchased in connection with major system developments, is

capitalized.

Additionally, certain software development costs are capitalized when incurred and when technological feasibility has been established. Amortization of all capitalized software costs is computed on a product-by-product basis over the estimated economic life of the product which ranges from three to five years. Computer software costs are included in other assets in the Consolidated Balance Sheets.

Pension and Retirement Plans

Annual costs of the Company's pension and retirement plans are determined actuarially in accordance with Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions.

Postretirement Benefits Other Than Pensions

Annual costs of the Company's postretirement benefits other than pensions are determined actuarially in accordance with Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions.

Income Taxes

The Company uses the asset and liability method in accounting for income taxes in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. Deferred income taxes result primarily from the use of different methods for financial reporting and tax purposes.

Net Income per Share

Net income per share is computed using the weighted average number of shares of common stock and common stock equivalents outstanding during the year. The assumed conversion of all convertible debentures has not been included in the computation because the resulting dilution is not material.

Note 2 - Business Acquisitions and Divestitures

On December 22, 1993, the Company entered into an agreement with Stuart Medical, Inc. (Stuart), whereby the companies will combine their two businesses. Stuart, a distributor of medical/surgical supplies, has distribution centers located primarily in the West, Midwest and Northeast and had sales for the year ended December 31, 1993 of $890.5 million (unaudited). In the proposed transaction,

the Company will
form a holding company that will own all of the currently outstanding capital
stock of the

Company and Stuart.

Under the terms of the agreement, the new holding company would exchange
$40,200,000 in
cash and $115,000,000 par value of convertible preferred stock for all of the
capital stock of
Stuart. Each outstanding share of the Company's common stock would be exchanged
for one share of
common stock of the new holding company. The Company intends to account for this
transaction as
a purchase, if consumated.

The convertible preferred stock will be convertible into approximately
4,650,000 shares of
common stock of the new holding company (or about 17.8 percent of the pro forma
fully diluted

outstanding shares of the new holding company); entitled to an annual cash
dividend of 4.5
percent; and redeemable by the Company under certain circumstances after three
years. The
Company will also refinance Stuart's pro forma debt of $141,000,000 (unaudited).

The Board of Directors of the Company and the requisite shareholders of
Stuart have
unanimously approved this transaction. The Company's shareholders will vote on
the proposed
transaction at the annual shareholders'
meeting with expected closing of the transaction to occur in the second
quarter. Had this acquisition
been completed on January 1, 1993, on a pro forma basis, net sales, net income
and net income
per share for the Company would have been approximately $2,339,000,000,
$24,000,000 and $.93
(all unaudited).

On May 28, 1993, the Company issued 476,190 shares of its common stock for
all the
outstanding common stock of Lyons Physician Supply Company (Lyons) of
Youngstown, Ohio. This
merger has been accounted for as a pooling of interests, and the Company's
fiscal 1993 financial
statements include the activity of Lyons as of January 1, 1993.

On June 25, 1993, the Company acquired all of the outstanding common stock of
A. Kuhlman &
Co. (Kuhlman's) of Detroit, Michigan. The acquisition was accounted for as a
purchase with the
results of Kuhlman's included from the acquisition date. The cost of the
acquisition was
approximately $2,900,000 and exceeded the net book value of the tangible assets

acquired and liabilities assumed by approximately $1,700,000. Pro forma results of this acquisition, assuming it had been made at the beginning of the year, would not be materially different from the results reported.

On February 28, 1992, the Company sold substantially all of the net assets of its Wholesale Drug Division to Bergen Brunswig Corporation. Accordingly, the operations of the Wholesale Drug Division have been classified as discontinued operations for all years presented in the accompanying Consolidated Statements of Income. The proceeds from the sale of approximately $49,552,000, resulted in a gain of $9,783,000, net of applicable income tax expense of $6,408,000 for the year ended December 31, 1992. Net income of this division was $2,270,000 in 1991 and is net of applicable income tax expense of $1,439,000.

On May 29, 1992, the Company sold substantially all of the net assets of Vangard Labs, Inc., completing the disposition of the Specialty Packaging Segment, to Medical Technology Systems, Inc. The proceeds from the sale of approximately $2,000,000, resulted in a loss of $2,858,000, net of applicable income tax benefit of $1,257,000, for the year ended December 31, 1992. On December 31, 1990 the principle operating assets of Harbor Medical, Inc., a portion of the Specialty Packaging Segment, were sold to Sterile Concepts, Inc. The Specialty Packaging Segment is accounted for as discontinued operations for all years presented in the accompanying Consolidated Statements of Income. Net income for this division was $77,000 for the first four months of 1992 and $88,000 in 1991 and is net of applicable income tax expense of $23,000 and $15,000, respectively.

The Company periodically re-evaluates the adequacy of its accruals associated with discontinued operations. In 1993, the Company decreased its loss provision for discontinued operations by $911,000 based on settlement of established liabilities and changes in prior estimates of expenses. In 1992, the loss provision was increased by $1,315,000 for such changes in prior estimates. Changes in these estimates are included in discontinued operations in the accompanying Consolidated Statements of Income.

On December 2, 1991, the Company acquired for cash the common stock of Koley's Medical Supply, Inc. (Koley's) in a business combination accounted for as a purchase. The acquisition of Koley's, a distributor of medical/surgical supplies, provided the Company with three distribution centers located in Iowa and Nebraska. The cost of the acquisition was approximately $3,593,000 and exceeded the net book value of the tangible assets acquired and liabilities assumed by approximately $1,637,000. The purchase price was funded through normal working capital.

The purchase agreement for Koley's specified that the purchase price may be increased in future years if certain criteria are met. Pursuant to the terms of this agreement, an additional $1,177,000 was paid in 1993.

Note 3 - Merchandise Inventories

All inventories are valued using the last-in, first-out (LIFO) method of inventory valuation. If LIFO inventories had been valued at current costs (FIFO), they would have been greater by the following amounts:

(in thousands)

December 31, 1993	$17,620
December 31, 1992	$16,959
December 31, 1991	$29,196

Note 4 - Property and Equipment

The Company's investment in property and equipment consists of the following:

	December 31,	
(in thousands)	1993	1992
Land and buildings	$ 4,617	$ 2,720
Furniture, fixtures and equipment	27,042	23,615
Transportation equipment	1,093	788
Capitalized leases	7,776	8,150
Leasehold improvements	5,898	4,866
	46,426	40,139
Less: Accumulated depreciation	17,304	14,262
Less: Accumulated amortization of capitalized leases	5,259	3,840
Property and equipment, net	$23,863	$22,037

For continuing operations, depreciation expense for property and equipment for 1993, 1992, and 1991 was $6,368,000, $5,129,000 and $4,115,000, respectively.

Note 5 - Accounts Payable

The Company's accounts payable consists of the following:

(in thousands)	December 31, 1993	1992
Trade accounts payable	$ 99,096	$ 82,397
Drafts payable	21,603	20,838
Total accounts payable	$ 120,699	$103,235

Note 6 - Long-Term Debt

Long-term debt consists of the following:

(in thousands)	December 31, 1993	1992
Revolving credit notes	$ 37,000	$ -
9.3% Senior Notes	-	12,000
0% Subordinated Note	8,214	7,440
6 1/2% Convertible Subordinated Debenture	3,500	3,500
Obligations under capitalized leases	3,548	4,928
	52,262	27,868
Current maturities	(1,494)	(2,882)
Long-term debt	$50,768	$24,986

The Company has a revolving credit agreement that provides for a maximum borrowing of $40,000,000. The interest rates on the revolving credit notes vary with, but do not exceed, the prime rate (6.0% as of December 31, 1993). The agreement expires on May 31, 1996 and any outstanding balances are payable in full on that date.

On May 31, 1989, the Company issued an $11.5 million 0% Subordinated Note and a $3.5

million 6 1/2% Convertible Subordinated Debenture to partially finance the National Healthcare acquisition. The 0% Subordinated Note due May 31, 1997 was discounted for financial reporting purposes at an effective rate of 10.4% to $5,215,000 on the date of issuance. The 6 1/2% Convertible Subordinated Debenture due May 31, 1996 is convertible into approximately 578,250 common shares. Interest is payable semi-annually on May 31 and November 30. The Company can redeem all or any portion of the debentures without penalty.

The Company leases certain data processing equipment under capitalized lease agreements. These leases require monthly payments and expire at various dates through 1996. Interest is imputed on these leases at rates ranging from 6.5% to 10.5%.

The Company entered into capital leases for additional computer equipment in the amounts of $1,734,000 and $1,744,000 during 1992 and 1991, respectively. These represent non-cash investing and financing activities for purposes of the Consolidated Statements of Cash Flows. There were no new capital leases during 1993.

Under certain of the loan agreements, the Company is required to maintain tangible net worth at specified levels. Other financial covenants relate to levels of indebtedness, liquidity and cash flow.

The Company has four bank lines of credit aggregating $62,000,000. At December 31, 1993, there were no borrowings under these lines.

Based on the borrowing rates currently available to the Company for bank loans with similar terms and average maturities, except for the convertible debenture which is valued at book value because the conversion price was substantially below the current market price, the fair value of long-term debt, including current maturities, is approximately $53,238,000, as of December 31, 1993.

Cash payments for interest during 1993, 1992 and 1991 were $2,341,000, $2,126,000 and $5,106,000, respectively.

Maturities of long-term debt for the five years subsequent to 1993 are: 1994-$1,494,000; 1995-$1,504,000; 1996-$41,050,000; 1997-$8,214,000; 1998-$0.

Note 7 - Employee Benefit Plans

The Company has a noncontributory pension plan covering substantially all employees. Employees become participants in the plan after one year of service and attainment of age 21. Pension benefits are based on years of service and average compensation. The amount funded for this plan is not less than the minimum required under federal law nor more than the amount deductible for federal income tax purposes. Plan assets consist primarily of equity securities, including 22,963 shares as of December 31, 1993 of the Company's common stock, and U.S. Government securities.

The Company also has a noncontributory, unfunded retirement plan for certain officers and other key employees. Benefits are based on a percentage of the employees' compensation. The Company maintains life insurance policies on plan participants to act as a financing source for the plan.

The following table sets forth the plans' financial status and the amounts recognized in the Company's Consolidated Balance Sheets at December 31, 1993 and 1992:

	Pension Plan		Retirement Plan	
(in thousands)	1993	1992	1993	1992
Actuarial present value of benefit obligations:				
Accumulated benefit obligations				
Vested	$10,984	$8,970	$1,225	$1,279
Non-vested	528	1,041	780	499
Total benefits	11,512	10,011	2,005	1,778
Additional amounts related to projected salary increases	2,110	1,116	1,226	854
Projected benefit obligations for service rendered to date	13,622	11,127	3,231	2,632
Plan assets at fair market value	13,603	11,445	-	-
Plan assets over (under) projected benefit obligations	(19)	318	(3,231)	(2,632)
Unrecognized net (gain) loss from past experience	(42)	(1,032)	1,080	828
Unrecognized prior service cost (benefit)	479	715	(23)	(109)
Unrecognized net (asset) obligation being recognized over 11 and 17 years, respectively	(321)	(428)	369	410
Adjustment required to recognize minimum liability under SFAS 87	-	-	(200)	(275)
Accrued pension asset (liability)	$ 97	$ (427)	$(2,005)	$(1,778)

The components of net pension cost for both plans are as follows:

	Year ended December 31,

(in thousands)	1993	1992	1991
Service cost-benefits earned during the year	$1,146	$ 944	$ 864
Interest cost on projected benefit obligations	1,056	994	865
Actual return on plan assets	(1,450)	(748)	(1,829)
Net amortization and deferral	453	(145)	1,103
Net periodic pension cost	$1,205	$1,045	$1,003

The weighted average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligations are assumed to be 7.5% and 5.5% for 1993, respectively and 8% and 6% for 1992, respectively. The expected long-term rate of return on plan assets is 9%.

In 1992, a curtailment gain of $123,000 which resulted from the dispositions of the business units classified as discontinued operations, was not reflected in net pension cost in the preceding table, but was included in gain on disposals in the Consolidated Statements of Income.

Substantially all employees of the Company may become eligible for certain medical benefits if they remain employed until retirement age and fulfill other eligibility requirements specified by the plan. The plan is contributory with retiree contributions adjusted annually.

The Company elected early adoption of the accounting provisions of the Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions. This new standard requires that the expected cost of retiree health benefits be charged to expense during the years that the employees render service rather than the Company's past practice of recognizing these costs on a pay-as-you-go basis. As part of adopting the new standard, the Company recorded in the first quarter of 1992, a one-time, non-cash charge against earnings of $1,200,000 before taxes and $730,000 after taxes, or $.04 per share. This cumulative catchup adjustment as of January 1, 1992 represents the discounted present value of expected future retiree health benefits attributed to employees' service rendered prior to that date.

The following table sets forth the plan's financial status and the amount recognized in the Company's Consolidated Balance Sheets at December 31, 1993 and 1992:

(in thousands)	1993	1992

Accumulated postretirement benefit obligation:		
Retirees	$ (251)	$ (208)
Fully eligible active plan participants	(464)	(384)
Other active plan participants	(980)	(849)
Accumulated postretirement benefit obligation	(1,695)	(1,441)
Unrecognized loss from past experience	64	-
Accrued postretirement benefit liability	$(1,631)	$(1,441)

The components of net postretirement benefit cost are as follows:

	Year Ended December 31,	
(in thousands)	1993	1992
Service cost	$142	$137
Interest	122	105
Net periodic postretirement benefit cost	$264	$242

For measurement purposes, a 13% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1994; the rate was assumed to decrease gradually to 6.5% for the year 2001 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by 1 percentage point in each year would increase the accumulated postretirement benefit obligation as of December 31, 1993 by $104,000 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by $52,000. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 7.5% for 1993 and 8% for 1992.

Note 8 - Stockholders' Rights Plan

On June 22, 1988, the Company adopted a stockholders' rights plan and distributed a dividend of one right for each outstanding share of common stock. Each right entitles the holder to buy one unit of a newly authorized series of preferred stock at an exercise price of $33.33 per right. The rights are exercisable only if a person or group acquires 20% or more of the Company's

common stock or
announces a tender offer for 30% or more of such stock.
If a person or group purchases 30% or more of the common stock, each right will entitle the
holder (except the acquiring person) to acquire preferred stock or, at the Company's option,
common stock having a value equal to twice the right's exercise price.

If the Company were acquired in a merger or other business combination, or if 50% of its
earning power
(as defined) or assets were sold in one transaction or a series of transactions, each right
would entitle the holder (except the acquiring person) to purchase securities of the surviving
company having a market value equal to twice the exercise price of the right.

If a person or group acquires 20% or more of the Company's common stock, the Company may
issue a share of common stock in exchange for each outstanding preferred share purchase right
(except for rights held by the acquiring person). The rights, which expire on June 22, 1998, may
be redeemed at any time up to 10 days after the announcement that a 20% position has been

acquired, unless such period has been extended by the Board of Directors.

Note 9 - Stock Option Plans

Under the terms of the Company's stock option plans, 2,383,505 shares of common stock have
been reserved for future issuance. Options may be designated as either Incentive Stock Options
(ISO) or non-qualified stock options. Options granted under the Plans have an exercise price
equal to the fair market value of the stock on the date of grant and can be exercised up to ten
years from date of grant. As of December 31, 1993, there were 687,038 non-qualified and no ISO
stock options issued and outstanding under the Plans.

The changes in shares under outstanding options for the three years ended December 31,

1993 are as follows:

	Shares	Grant Price
Year ended December 31, 1993		
Outstanding at beginning of year	569,748	$5.30 - 14.00
Granted	282,880	12.88 - 14.75
Exercised	(120,490)	5.30 - 14.00
Expired/cancelled	(45,100)	5.33 - 14.00
Outstanding at end of year	687,038	$5.33 - 14.75
Exercisable	295,586	
Shares available for additional grants	1,696,467	
Year ended December 31, 1992		
Outstanding at beginning of year	570,852	$ 3.55 - 14.00
Granted	156,573	12.00 - 13.08

Exercised	(137,990)	3.55 - 8.39
Expired/cancelled	(19,687)	5.61 - 14.00
Outstanding at end of year	569,748	$ 5.30 - 14.00
Exercisable	332,950	
Shares available for additional grants	284,247	
Year ended December 31, 1991		
Outstanding at beginning of year	755,933	$ 3.55 - 6.22
Granted	296,625	8.39 - 14.00
Exercised	(474,281)	3.55 - 8.39
Expired/cancelled	(7,425)	3.55 - 5.61
Outstanding at end of year	570,852	$ 3.55 - 14.00
Exercisable	227,312	
Shares available for additional grants	441,374	

Stock Appreciation Rights (SARs) may be granted in conjunction with any option granted under the Plans, and to the extent either is exercised, the other is cancelled. SARs are payable in cash, common stock or a combination of both, equal to the appreciation of the underlying shares from the date of grant to date of exercise, and may be exercised from one up to ten years from date of grant. As of December 31, 1993, there were no SARs issued and outstanding.

Note 10 - Income Taxes

The Company adopted Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, as of January 1, 1993. The cumulative effect of this change in accounting for income taxes is a favorable adjustment of $706,000 and is reported separately in the Consolidated Statements of Income for the year ended December 31, 1993. Prior years' financial statements have not been restated to apply the provisions of Statement 109.

The provision for income taxes for continuing operations consists of the following:

	Year ended December 31,		
(in thousands)	1993	1992	1991
Current tax provision			
Federal	$10,405	$9,386	$6,387
State	2,123	2,262	1,435
Total current provision	12,528	11,648	7,822
Deferred tax benefit			
Federal	(555)	(916)	(928)
State	(73)	(227)	(213)
Total deferred benefit	(628)	(1,143)	(1,141)
Provision for income taxes	$11,900	$10,505	$6,681

A reconciliation of the Federal statutory rate to the Company's effective income tax rate
for continuing operations follows:

	Year ended December 31,		
	1993	1992	1991
Federal statutory rate	35.0%	34.0%	34.0%
Increases (reductions) in the rate resulting from:			
State income taxes, net of Federal income tax benefit	4.4	5.1	5.7
Other, net	(.3)	1.4	1.2
Effective rate	39.1%	40.5%	40.9%

The significant components of deferred income tax benefit attributable to income from
continuing operations for the year ended December 31, 1993 are as follows:

(in thousands)	
Deferred tax benefit	$(432)
Adjustments to deferred tax assets and liabilities for enacted changes in tax rates	(196)
Total deferred benefit	$(628)

The components of deferred income tax expense (benefit) for continuing operations for the
years ended December 31, 1992 and 1991 are as follows:

	Year Ended December 31,	
(in thousands)	1992	1991
Inventories	$ (135)	$ 175
Depreciation	225	(77)
Employee benefit plans	(611)	(239)
Allowance for doubtful accounts	(303)	(372)
Real estate sale/leaseback	88	(178)
Reserve for fixed assets	126	(274)
Other, net	(533)	(176)
Total deferred benefit	$(1,143)	$(1,141)

The tax effects of temporary differences that give rise to significant portions of the
deferred tax assets and deferred tax liabilities at December 31, 1993 are presented below:

(in thousands)
Deferred tax assets:

Allowance for doubtful accounts	$ 2,702
Accrued liabilities not deductible until paid	1,998
Employee benefits plans	3,038
Leased assets	3,512
Other	1,641
Total deferred tax assets	12,891
Deferred tax liabilities:	
Property and equipment	4,484
Merchandise inventories	920
Other	1,352
Total deferred tax liabilities	6,756
Net deferred tax asset (included in other current assets and other assets)	$ 6,135

Management has determined, based on the Company's carryback availability, history of earnings and its expectation of earnings in future years, that it is more likely than not that all of the deferred tax asset will be realized. Therefore, the Company has not recognized a valuation allowance for the gross deferred tax asset recorded in the accompanying 1993 Consolidated Balance Sheet.

Cash payments for income taxes, including taxes on discontinued operations, for 1993, 1992 and 1991 were $12,153,000, $21,672,000 and $6,756,000, respectively.

For income tax purposes, the Company has unused operating loss carryforwards expiring in 2004 of approximately $640,000 which are available to offset future federal taxable income.

The tax benefit relating to discontinued operations for the year ended December 31, 1993, was $333,000.

Note 11 - Commitments and Contingencies

The Company has entered into noncancellable lease agreements for certain office and warehouse facilities and data processing and delivery equipment with remaining lease terms ranging from one to twelve years. Certain leases include renewal options, generally for five year increments. At December 31, 1993, future minimum annual payments under noncancellable

leases with original terms in excess of one year are as follows:

(in thousands)	Capital Leases	Operating Leases
1994	$1,760	$10,305
1995	1,629	9,647
1996	561	7,214
1997	-	5,403
1998	-	4,738
Later years	-	9,039
Total minimum lease payments	3,950	$46,346
Less imputed interest	402	
Present value of minimum lease payments	$3,548	

Minimum lease payments have not been reduced by minimum sublease rentals aggregating $3,160,000 due in the future under noncancellable subleases.

Rent expense for continuing operations for the years ended December 31, 1993, 1992 and 1991 was $12,857,000, $11,329,000 and $10,468,000, respectively.

The Company has limited concentrations of credit risk with respect to financial instruments. Temporary cash investments are placed with high credit quality institutions and concentrations within accounts and notes receivable are limited due to their geographic dispersion. Additionally, no single customer accounted for 10% or more of the Company's sales during 1993, except for sales under contract to member hospitals of the VHA, which amounted to $459.6 million or 32.9% of the Company's total net sales from continuing operations.

Note 12 - Quarterly Financial Data (Unaudited)

The following table presents the summarized quarterly financial data for 1993, 1992 and 1991:

(in thousands, except per share data) Year	1993			
Quarter	1st	2nd	3rd	4th
Net sales from continuing operations	$317,812	$341,221	$361,959	$375,979
Gross margin	33,634	35,654	38,151	39,872
Net income from continuing operations	3,826	4,265	4,790	5,636
Gain on disposals, net of other provisions and taxes	-	-	-	911
Cumulative effect of change in accounting principle	706	-	-	-
Net income	$ 4,532	$ 4,265	$ 4,790	$ 6,547
Net income per share:				
Continuing operations	$ .19	$ .21	$ .23	$ .27
Discontinued operations	-	-	-	.04

Cumulative effect of change in accounting principle	.03	-	-	-
Net income per share	$ .22	$ .21	$ .23	$ .31

Year	1992			
Quarter	1st	2nd	3rd	4th
Net sales from continuing operations	$282,481	$289,705	$300,018	$305,094
Gross margin	28,514	29,778	31,450	34,558
Net income from continuing operations	3,085	3,613	3,952	4,785
Discontinued operations:				
Income (loss) from discontinued operations, net of taxes	123	(46)	-	-
Gain (loss) on disposals, net of other provisions and taxes	9,933	(3,080)	-	(1,243)
Cumulative effect of change in accounting principle	(730)	-	-	-
Net income	$ 12,411	$ 487	$ 3,952	$ 3,542
Net income (loss) per share:				
Continuing operations	$ .16	$ .18	$ .20	$ .24
Discontinued operations	.51	(.16)	-	(.06)
Cumulative effect of change in accounting principle	(.04)	-	-	-
Net income per share	$ .63	$ .02	$ .20	$ .18

Year	1991			
Quarter	1st	2nd	3rd	4th
Net sales from continuing operations	$239,378	$247,441	$260,382	$273,813
Gross margin	23,384	24,493	25,962	28,871
Net income from continuing operations	1,800	2,227	2,699	2,943
Income from discontinued operations, net of taxes	533	510	757	558
Net income	$2,333	$ 2,737	$ 3,456	$ 3,501
Net income per share:				
Continuing operations	$ .09	$ .11	$ .14	$ .15
Discontinued operations	.03	.03	.03	.03
Net income per share	$ .12	$ .14	$ .17	$ .18

KPMG Peat Marwick
Certified Public Accountants
Suite 1900
1021 East Cary Street
Richmond, Virginia 23219-4023

Independent Auditors' Report
To the Board of Directors and Stockholders
Owens & Minor, Inc.:

We have audited the accompanying consolidated balance sheets of Owens & Minor, Inc. and subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1993. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Owens & Minor, Inc. and subsidiaries as of December 31, 1993 and 1992 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1993 in conformity with generally accepted accounting principles.

As discussed in Note 10 to the Consolidated Financial Statements, as of January 1, 1993, the Company changed its method of accounting for income taxes.

KPMG Peat Marwick

February 4, 1994

Market and Dividend Information

On January 29, 1988, Owens & Minor, Inc.'s common stock began trading on the New York Stock Exchange under the symbol OMI. The following table indicates the range of high and low sales prices per share of the Company's common shares as reported on the New York Stock Exchange and the quarterly cash dividends paid by the Company:

Year	1993			
Quarter	1st	2nd	3rd	4th
Market Price				
High	$17.38	$21.00	$23.25	$23.38
Low	$12.63	$12.63	$18.25	$18.00
Dividends per share	$.0525	$.0525	$.0525	$.0525

Year	1992			
Quarter	1st	2nd	3rd	4th
Market Price				
High	$14.50	$12.50	$13.33	$15.17
Low	$11.25	$ 11.00	$11.33	$11.83

Dividends per share	$.0350	$.0433	$.0433	$.0433

Year		1991		
Quarter	1st	2nd	3rd	4th
Market Price				
High	$ 9.25	$10.67	$12.50	$16.17
Low	$ 6.25	$ 8.09	$10.33	$12.33
Dividends per share	$.0289	$.0333	$.0350	$.0350

At December 31, 1993, there were approximately 11,600 shareholders.

Exhibit 22

OWENS & MINOR, INC. AND SUBSIDIARIES
SUBSIDIARIES OF REGISTRANT

Subsidiary	State of Incorporation
Owens & Minor West, Inc. (formerly known as National Healthcare and Hospital Supply Corporation)	California
National Medical Supply Corporation	Delaware
Koley's Medical Supply, Inc.	Nebraska
Harbor Medical, Inc.	Florida
Lyons Physician Supply Company	Ohio
A. Kuhlman & Co.	Michigan

Exhibit 24

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors
Owens & Minor, Inc.:

We consent to incorporation by reference in the Registration Statements (Nos. 33-65606, 33-63248, 33-4536, 33-32497, 33-41402 and 33-41403) on Form S-8 of Owens & Minor, Inc. of our report dated February 4, 1994, relating to the consolidated balance sheets of Owens & Minor, Inc. and subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1993, which report is incorporated by reference in the December 31, 1993 annual report on Form 10-K of Owens & Minor, Inc. We also consent to the incorporation by reference in the aforementioned Registration Statements of our report dated February 4, 1994, relating to the financial statement schedules of the Company, which report appears on page 16 of this Form 10-K.

Our reports refer to a change in accounting for income taxes.

KPMG Peat Marwick

Richmond, Virginia
March 7, 1994