

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1996-12-30** | Period of Report: **1996-09-30**
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FILER

GUEST SUPPLY INC

CIK: **722642** | IRS No.: **222320483** | State of Incorporation: **NJ** | Fiscal Year End: **0930**
Type: **10-K** | Act: **34** | File No.: **001-11955** | Film No.: **96688056**
SIC: **2844** Perfumes, cosmetics & other toilet preparations

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended September 30, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934 For the
transition period from _____ to _____

Commission file number 0-12567

GUEST SUPPLY, INC.

(Exact name of registrant as specified in its charter)

New Jersey	22-2320483
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4301 U.S. Highway One Monmouth Junction, New Jersey	08852-0902
-----	-----

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (609) 514-9696

Securities registered pursuant to Section 12(b) of the Act:

Title of each class -----	Name of each exchange on which registered -----
Common Stock, without par value	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act:

NONE

(Title of class)

Indicate by a 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 as the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes 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 definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within 60 days prior to the date of filing.

Aggregate market value as of December 19,
1996 \$101,505,084

Indicate the number of shares outstanding of each of the issuer's classes of capital stock, as of the latest practicable date.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the documents, all or portions of which are incorporated by reference herein and the Part of the Form 10-K into which the document is incorporated: Part III incorporates information by reference from portions of the Registrant's Proxy Statement for the 1997 Annual Meeting of Shareholders to be held on March 5, 1997.

PART I

ITEM 1. BUSINESS.

General

The Company operates principally as a manufacturer, packager and distributor of personal care guest amenities, housekeeping supplies, room accessories and textiles to the lodging industry. The Company also manufactures and packages personal care products for major consumer products and retail companies. Personal care guest amenity items include shampoo, hair conditioner, soap, bath gel, hand and body lotion, mouthwash, shoe care and sewing kits, shower caps, soap dishes and decorative containers and trays. The Company makes available more than 30 amenity items in a variety of brands in Company-designed packaging options. Housekeeping supplies for the lodging industry consist primarily of paper products, cleaning chemicals and cleaning implements. Room accessories include such items as wastebaskets, glassware, stationery, laundry bags, pens, shower curtains and signs. The Company distributes more than 100 different housekeeping products and room accessories. Textiles include sheets, towels and bedding. The products manufactured and packaged for its consumer products and retail customers include health and beauty aid items such as shampoo, hair conditioner, hand and body lotions, liquid soaps and bath additives.

The Company has pursued a strategy designed to enhance its leadership position in the lodging supply industry by becoming a full service company with a nationwide network of Company-operated distribution centers which provide prompt delivery to hotel properties. Each center consists of a warehouse and sales office and is staffed by sales personnel who call on customers to obtain orders and provide customer service.

The Company's housekeeping and room accessory product line consists of over 100 different disposable products which are generally available to the Company from several different manufacturers and distributors of these products.

The Company's amenity product lines consist of customized amenity programs designed by the Company for hotel chains ("customized corporate amenity programs") or for individual lodging establishments ("customized individual amenity programs") and uncustomized amenities and accessories.

Customized corporate amenity programs consist of one or more items which are presented in Company-designed packaging. This packaging displays the corporate name or logo of the hotel chain or lodging establishment for which the program is designed.

Customized corporate amenity programs are designed for hotel chains, such as Choice International, The Four Seasons, Holiday Inns, Howard Johnson, Hyatt Hotels, Marriott Corporation, Ramada and Wyndham Hotels and may consist of up to 20 amenity and accessory items. In some cases, purchasing decisions for these programs are made by the central buying organization for the chain, and in other cases, such decisions are made by individual members or franchisees of the chain.

Customized individual amenity programs typically consist of six to 12 amenity and accessory items. Individual programs generally involve more elaborate designing and packaging, in an attempt to accent the guest room decor and the marketing image of the particular lodging establishment. The Company has designed individual amenity programs for such lodging establishments as Scottsdale Princess in Scottsdale, Arizona, Boston Harbor Hotel in Boston, Massachusetts, Nikko Hotels International in New York, New York and The Registry Hotels in Dallas, Texas and for cruiseship lines such as Holland America and Royal Caribbean.

The Company sells amenities in uncustomized color coordinated packaging under such brand names as Finesse(R), Jhirmack(R) and Jergens(R). Some of these brand name products are also sold as part of customized amenity programs. In addition, the Company markets its own lines of guest amenity lines under the "Heritage Collection(TM)" "Botanicals(TM)" and "Nautic(TM)" labels.

The Company's lodging industry customers consist of hotel chains

(including supply divisions), individual members or franchisees of hotel chains, independent hotel properties, management companies and cruise ship lines. The Company distributes its products to approximately 11,000 customers worldwide. The Company has supply agreements with each of the 10 largest lodging chains in the United States.

The Company's strategy is to increase its penetration of the lodging industry at all levels and to become a "one-stop shopping" supplier to lodging establishments. In order to increase operating efficiencies and responsiveness to customer needs, the Company has become a more vertically integrated supplier of customized and

uncustomized amenity programs by enhancing its design capability, expanding its distribution network and increasing its manufacturing capabilities. In addition, the Company sells disposable housekeeping products, room accessories and textiles in order to provide a complete range of products to the lodging industry.

As part of this strategy, the Company, through its manufacturing subsidiary Guest Packaging, Inc., manufactures and packages substantially all of its liquid products such as shampoos, hair conditioners, hand and body lotions and bath gels, as well as a portion of its bar soap requirements. The Company's manufacturing operations allow the Company to provide both the service and wide variety of products required by the lodging industry. In fiscal 1994, the Company began a program to expand its manufacturing facility and to increase its production capability and capacity. In fiscal 1996, the manufacturing facility expansion project was essentially completed. See "Manufacturing, Packaging and Shipping" below.

The Company's Breckenridge-Remy Co. ("Breckenridge") subsidiary (doing business as Guest Distribution) also contributes to the Company's strategy of vertical integration through an improved and expanded product line and national distribution capability. In addition to personal care products and room accessories, Breckenridge markets a line of paper products, cleaning chemicals, glassware, housekeeping items and textiles. Breckenridge's business includes a direct sales force and a network of 12 distribution centers. This distribution network provides the Company with the ability to warehouse products in close proximity to the lodging properties served by the Company. In addition, each distribution center is staffed with a direct sales force who call on customers to obtain sales orders and provide direct customer service. Breckenridge currently has approximately 100 sales consultants. Management believes that the Company's product line and distribution capability has provided improved service to all of its customer groups.

Products -----

The Company markets and sells a broad range of personal care, housekeeping and disposable products for use in lodging establishments. The Company's amenity product line consists of more than 30 different products, including shampoo, hair conditioner, soap, bath gel, hand and body lotion, mouthwash, showercaps, soap dishes, shoe shine and sewing kits and decorative containers and trays. Six amenity products account for a substantial majority of the

Company's sales of customized and uncustomized packaging options. The Company's housekeeping and room accessory product line consists of over 100 products including paper products, cleaning chemicals, cleaning implements, textiles (such as sheets, towels and other bed linens) and other housekeeping items and accessories such as wastebaskets, glassware, stationery, laundry bags, pens, shower curtains and signs. The Company believes that its range of products for the lodging industry is one of the most extensive available from a single source in the United States.

Customized amenity programs consist of one or more items which are packaged and presented in Company designed bottles, boxes, tubes and wrappings. The packaging and wrappings display the corporate name or logo of the hotel chain or lodging establishment for which the program is designed. Customized corporate amenity programs are designed for hotel chains. Customized individual amenity programs typically consist of six to 12 amenity and accessory items. These programs generally involve more elaborate design and packaging, in an attempt to accent the guest room decor and the marketing image of the particular lodging establishment.

The sales price per room stay for an amenity program varies with the number of items selected by the customer. A customized individual amenity program typically contains several items and is priced from \$1.50 and up per room stay. Because customized corporate amenity programs and uncustomized amenity programs also vary widely in number of items, the cost of such programs also vary widely.

The Company sells national brand name products, as well as generic and the Company's own private label products and accessories. During the fiscal year

ended September 30, 1996, less than 10% of the Company's sales were attributable to sales of national brand name products which include Bath and Body Works(R), Finesse(R), Jhirmack(R) and Jergens(R).

Guest Supply also markets guest amenity programs under the "Institute Swiss(R)" label and under Guest Supply's "Botanicals(TM)," "Nautic(TM)," "Heritage Jefferson Floral(TM)," "Heritage American Country(TM)" and "Heritage Yankee Stripes(TM)". These programs were designed by the Company as an alternative to customized amenity programs with inventory available for immediate delivery.

The Company has entered into arrangements with certain manufacturers of national brand name products pursuant to which the Company has been granted the exclusive right to market certain products to the lodging industry in

the United States. Certain of these manufacturers have reserved the right to approve the design of the packaging of their products and to monitor quality control with respect to the manufacturing and packaging processes. None of such exclusivity arrangements obligates the Company to purchase products from any one supplier or to market any brand exclusively.

The Company believes that there are adequate alternative sources of supply available for all products it currently distributes. Moreover, the Company believes that its competitive success is dependent more on the quality of the Company's services, design capability and the selection and availability of products, than on the availability of any one particular brand name product or group of products.

Design, Marketing and Sales -----

In the view of the Company, an important aspect of its marketing approach and competitive position is the capability of its professional design staff to assist customers in designing customized packaging and in the coordination and presentation of their amenity programs. In addition, the Company believes that its position in the industry is in part attributable to the Company's ability, on a single source basis, to design, manufacture, package and distribute complete customized amenity programs for its customers which meet the customers' corporate image, product and budgetary requirements and which include brand name products with a reputation for high quality and wide-spread consumer acceptance.

The design of amenity programs takes into account five essential elements: packaging components (size, shape and type of container), packaging graphics (colors and logos), brand identity (use of national or generic brands), product mix (which amenity items to present) and presentation method (tray, placemat, wicker basket or decorative tin). The Company's design personnel, who include graphic, industrial and mechanical artists and packaging engineers, are responsible for creating packages, selecting colors and applying graphic designs to accent guest room decor and for the production of finished engineering drawings and materials specifications. The Company's design personnel consult directly with the Company's customers on all aspects of the design of guest room amenities, at times leading to unique and proprietary packaging and presentations of amenity programs. The Company's design process can vary in length, depending on the customer's needs and complexity of the program. Once a design is accepted by the customer and a purchase order is

received, the initial shipment is typically made within ten to 14 weeks and the balance of the shipment is generally delivered over the next 12 to 24 months.

The Company employs direct sales personnel who consult regularly with the Company's existing customers and solicit new customers. In addition, the Company employs in-house sales persons responsible for telemarketing sales and customer service. Further, the senior management of the Company devotes a substantial amount of time to sales activities, as well as to the overall coordination of customers' amenity programs and the development of new concepts to enhance the effectiveness of the programs. The Company believes that prompt, professional and responsive customer service is an important element in attracting new customers and satisfying existing ones.

In addition, the Company maintains regional distribution centers throughout the United States. This distribution network consists of 12 regional warehouses and a central facility and several small warehouses in North Brunswick, New Jersey. These distribution centers provide the Company with the ability to deliver manufactured and purchased products to the lodging properties served by the Company throughout the United States. In addition, each regional distribution center is staffed with route salespersons who call on customers to obtain sales orders and provide direct customer service. In December 1996, the Company occupied a new, leased 226,000 square foot distribution and warehouse facility in Sayreville, New Jersey. This new facility will consolidate all of the Company's current New Jersey warehousing facilities. The Company expects this new facility to be fully operational by April 1, 1997. See "Item 2. Properties".

The Company engages in direct mail solicitations. In addition, the Company attends most major trade conventions and exhibits its product lines at such events.

During the fiscal year ended September 30, 1996, sales to one customer accounted for 11.1% of the Company's revenues. At September 30, 1996, such customer accounted for 22.2% of the Company's total accounts receivable. During the fiscal year ended September 30, 1995, sales to two customers accounted for 11.3% and 10.8%, respectively, of the Company's revenues.

The Company's consolidated sales included approximately \$7,750,000, \$4,882,000 and \$4,480,000, respectively, by foreign subsidiaries for the fiscal years ended September 30, 1996, September 30, 1995 and

September 30, 1994. The Company currently has subsidiaries located in England, New Zealand and Canada.

At September 30, 1996 and September 30, 1995, the Company had unfilled orders for its products which aggregated approximately \$12,500,000 and \$14,000,000, respectively. Most of the amount for fiscal 1996 is expected to be shipped by September 30, 1997. Unfilled orders are not necessarily an important indicator of total future sales, since a substantial portion of the Company's revenues are attributable to sales of disposable house keeping products and accessories, uncustomized amenity products and corporate amenity programs which are ordered for delivery on a current basis and for which no significant unfilled orders exist. In addition, certain orders are subject to further confirmation.

Substantially all of the Company's sales are to customers to whom the Company extends credit. The Company's credit policy generally requires payment in full within 30 days and allows discounts in certain cases for early payment.

Manufacturing, Packaging and Shipping

Most of the amenity products marketed and distributed by the Company are sold in packaging and wrappings designed to customer specifications by the Company and are customized with the name of the particular hotel, in the case of customized individual amenity programs, or the corporate logo of the lodging chain in the case of customized corporate amenity programs, and also display the brand name of the product, where appropriate. In some cases, the shapes of the containers are also designed specifically to the customer's requirements. Packaging components include bottles, boxes, bags, packets, tubes and various other containers that come in a wide range of sizes and shapes.

The Company's manufacturing facility is located in Rahway, New Jersey. This facility has approximately 68,000 square feet of production space. The plant has 21 filling lines including 10 highly automated lines which the Company believes incorporate the most efficient technology presently available. Each line is equipped to apply front, back, and full wrap labels, and video jets for batch and date coding of each container. A variety of reactors or compounding vessels with capacities ranging from 100 to 6,000 gallons are located at this facility as well as 249,000 gallons of liquid bulk storage vessels. The facility also includes an analytical and development laboratory.

In fiscal 1994, the Company began a program to expand its manufacturing facility and to increase its production capability and capacity. As part of this expansion project, 18,000 square feet of manufacturing space was added to the Company's facility in Rahway, New Jersey. Additional mixing and storage tanks were installed increasing compounding capacity by more than 350%. The Company installed four new high-speed filling lines which are highly automated and provide the Company with the capacity and capability to manufacture retail size health and beauty aid products in high volume.

During fiscal 1996 the expansion project was essentially completed, however, the Company's manufacturing operations continue to operate below planned profitability levels. As a result of the growth the Company has experienced in its manufacturing operations, the Company currently has five temporary materials warehouses which supply its manufacturing facility. Difficulties inherent in receiving and stocking component materials and shipping these materials to the Company's manufacturing facility from these temporary multiple warehouse locations are creating manufacturing inefficiencies. In December 1996, the Company occupied a new, leased 226,000 square foot warehouse facility in Sayreville, New Jersey which will consolidate all of the Company's current New Jersey warehousing facilities. The Company expects the new facility to be fully operational by April 1, 1997. The Company believes this new warehouse, in conjunction with improved planning systems, will resolve material flow problems and improve manufacturing efficiency. The Company believes that with the new equipment and systems, it will be in a position to improve efficiency in the production of high-quality health and beauty aids and pharmaceutical products thereby providing the Company with what it believes will be a competitive advantage. See "Item 2. Properties" below and "Item 7.

Management's Discussion and Analysis of Financial Condition and Results of Operations" below.

Currently, the Company compounds and fills substantially all of its liquid products. Compounding involves the batch mixing of components such as detergents, conditioners, dyes and fragrances in accordance with proprietary formulas. Filling entails the transfer of finished products from bulk to the unit of use containers in which they are distributed. Sales of liquid products constituted approximately 40% of the Company's amenity sales for the fiscal year ended September 30, 1996.

In addition, the Company utilizes its manufacturing facility to compound, fill and package a

variety of products used by consumer product companies and retailers. These are principally health and beauty aid items such as shampoo, hair conditioner, hand and body lotions, liquid soaps and bath additives. In some instances the Company also formulates products for its customers. The Company believes that these services, among others, are attractive to these companies since most lack production expertise or the costs of providing these functions in-house could be prohibitive.

The Company's other products such as soaps, shower caps, soap dishes, shoe shine and sewing kits, toothpaste, toothbrushes, razors, shaving creams, paper products, cleaning chemicals, cleaning implements, glassware and other accessories are produced by independent manufacturers. Soaps are manufactured in accordance with the Company's specifications, including colors and fragrances, from materials furnished by suppliers selected by the Company. Additionally, the Company manufactures a portion of its bar soap requirements, which it sells to the lodging industry, at its facility in Rahway, New Jersey.

The bottles and other packaging components for the Company's products are manufactured by independent suppliers in accordance with the Company's or the Company's customers' specifications. In certain instances, these independent suppliers utilize equipment and molds owned by the Company. In certain instances, the Company also utilizes the services of companies which decorate the bottles and other packaging components prior to delivery to the Company or to its contract packagers.

The Company usually orders the component materials for its products in bulk quantities directly from the manufacturers of such products for delivery to its manufacturing facilities or to the facilities of the Company's contract packagers. This procedure permits the Company to assure adequate supplies of product components and to benefit from quantity discounts and other economies of scale.

Substantially all of the Company's finished products are shipped to the Company's warehouse facilities for later shipment to its customers. See "Item 2. Properties" below. In the view of the Company, an important aspect of its marketing approach and competitive position is its capacity for localized distribution. The ability to store and distribute both manufactured and purchased products in close proximity to the lodging properties served by the Company is a service which the Company believes will

assist in providing improved service to its existing customer groups and in attracting new customers.

Quality Control -----

The Company believes that maintaining the highest standards of quality in all aspects of its operations is an important aspect of its ability to generate customer confidence and to maintain its competitive position. To that end, the Company carries and markets only products that have a reputation for quality and that meet the Company's own quality standards.

The Company sends its representatives from time to time to the facilities of its suppliers to inspect and approve the manufacturing and packaging of all products prior to acceptance by the Company for delivery to customers. In addition, certain suppliers of materials to the Company also approve the Company's manufacturing procedures and inspect the packaged products to insure compliance with their own quality standards.

The Company has adopted strict quality assurance systems and procedures which it regularly reviews and revises with a view to maintaining the consistency of the quality of its products. The Company adheres to all applicable filling and packaging regulations of the U.S. Food and Drug Administration, as well as others which are not technically applicable to the Company's operations.

Proprietary Rights -----

Although the Company follows a policy of protecting its proprietary rights to its products and designs to the full extent legally permissible, it does not believe that its business as a whole is materially dependent upon such protection. Such protection has significance primarily in the Company's marketing efforts. The Company has received protection under federal trademark and copyright laws for certain names used in its business, including Guest Supply(R), L'avenie(R), Guest Design(R), Whispermint(TM), Alliance(TM), Evergreen(TM), Botanicals(TM), Nautic(TM) and the Heritage Collection(TM). The Company, from time to time, applies for copyright and design patent protection for the designs of certain bottles and other packaging components designed by the Company .

In addition, pursuant to arrangements with the producers of its packaging components, the Company has obtained title to the molds which it has developed for the production of certain bottles and other packaging

components. Many of these arrangements restrict these companies from using the Company's molds for anyone other than the Company's customers without the Company's consent. The aggregate net book value of all molds owned by the Company at September 30, 1996 was approximately \$1,209,000.

Competition

The business of supplying disposable products, amenities and accessories to the lodging industry is highly competitive. Important competitive factors include price, product range, distribution capability and product quality and design. The Company competes with companies which offer customized amenity programs and broad lines of customized and uncustomized amenity and personal care products, as well as large distributors of housekeeping and related products. Some of these competitors are large diversified multinational companies with extensive production facilities and sales and marketing staffs and substantially greater financial resources than the Company.

The Company believes that it can compete effectively with these companies in view of the variety and quality of products it offers, the scope and efficiency of customer services, its distribution capability and price. In addition, the Company believes that its ability to offer professional and sophisticated design assistance in formulating customized amenity programs and products for customers enhances its competitive position and distinguishes the Company from most of its competitors.

Personnel

As of September 30, 1996, the Company had approximately 980 employees. None of the Company's employees is covered by a collective bargaining agreement, and the Company considers its relationship with its employees to be excellent.

Executive Officers

The current executive officers of the Company are as follows:

<TABLE>

<CAPTION>

Name	Position with the Company	Age at September 30, 1996
----	-----	-----
<S>	<C>	<C>
Clifford W. Stanley	President, Chief Executive Officer and Director	50
James H. Riesenberg	Vice President - Operations	61
Teri E. Unsworth	Vice President - Market Development and Director	45
Paul T. Xenis	Vice President - Finance and Secretary	36

</TABLE>

Clifford W. Stanley has been President and Chief Executive Officer of the Company since January 1988 and a director of the Company since January 1987. From April 1986 to January 1988, he was Executive Vice President and Chief Financial Officer of the Company. Mr. Stanley joined the Company in August 1985 as Vice President - Finance. From 1984 until joining the Company, Mr. Stanley was Vice President and Chief Operating Officer for Transfer Print Foils, Inc. (hot stamping foils). During the period from 1982 to 1984, he was Vice President of Finance for the Permacel

Division of Avery International. From 1979 through 1982, Mr. Stanley was a Vice President of Johnson & Johnson.

James H. Riesenbergs has been Vice President - Operations of the Company since September 1985. Mr. Riesenbergs was Vice President -Operations of Almay Cosmetics, Inc., a division of Playtex Corporation, from March 1984 until joining the Company. During the period from 1981 through 1984, Mr. Riesenbergs was Vice President - Operations of Max Factor, Inc., another division of Playtex Corporation.

Teri E. Unsworth has been Vice President - Market Development since joining the Company in May 1985 and a director of the Company since November 1989. Prior thereto, Ms. Unsworth was employed by Vidal Sassoon, Inc. as Director of Sales from 1979 to 1981, as Product Director from 1981 to 1983 and as Group Product Director from 1983 to 1985.

Paul T. Xenis has been Vice President - Finance since May 1994. From April 1984 to May 1994, he was Corporate Controller of the Company. Prior to joining the Company, Mr. Xenis was a senior accountant with KMG Main Hurdman (now part of KPMG Peat Marwick LLP) from 1981 to 1984. Mr. Xenis also serves as Secretary of the Company.

ITEM 2. PROPERTIES.

The Company's executive offices and principal operating facilities are located in Monmouth Junction, New Jersey, where the Company leases approximately 21,900 square feet of space in an office building. The lease expires on December 15, 2006 and provides for three five-year renewal options.

The Company also leases a 113,000 square foot warehouse and distribution facility in North Brunswick, New Jersey. The lease for this facility expired in November 1996. The Company is renting this facility on a month-to-month basis and expects to vacate this facility by March 31, 1997.

In connection with its manufacturing and packaging operations, the Company currently leases a manufacturing facility in Rahway, New Jersey and a warehouse facility in Avenel, New Jersey. The manufacturing facility consists of approximately 68,000 square feet of space. The lease for this facility expires in 2010. See "Item 1. Business -Manufacturing, Packaging and Shipping" above. This lease may be cancelled by the Company on 90 days' notice. The Avenel warehouse facility (comprised of three separate warehouses) is approximately 120,000 square feet of space. The lease expired in November 1996. The Company is renting this facility on a month-to-month basis and expects to vacate this facility by March 31, 1997. Additionally, the Company leases two temporary materials warehouses on a month-to-month basis in New Jersey.

During fiscal 1996, the Company had a 226,000 square foot distribution and warehouse facility built to its specifications in Sayreville, New Jersey. This new facility will consolidate all of the Company's current New Jersey warehousing facilities. The lease for the facility expires in November 2006. The Company occupied this facility in December 1996 and expects it to be fully operational by April 1, 1997.

As part of its regional distribution strategy, the Company currently also leases 12 regional warehouses. The

warehouses range in size from 12,000 square feet to 60,000 square feet and are located in Ohio (three), Michigan, Indiana, Texas, Florida, Illinois, Maryland, California, Georgia and North Carolina. The leases for these warehouses have expiration dates through 1999.

ITEM 3. LEGAL PROCEEDINGS.

In August 1994, the Company was served with a summons and complaint in an action commenced by Valley Products Co., Inc. ("Valley") in the United States District Court for the Western District of Tennessee against Hospitality Franchise Systems, Inc. ("HFS") and certain of its subsidiaries (including those that franchise Days Inn, Howard Johnson, Ramada, Super 8 and Park Inn hotels and motels), and against the Company and Marietta Corporation ("Marietta").

The complaints arose from HFS's decision to terminate Valley's authority to sell guest room amenities to HFS franchises, and to enter into "preferred vendor agreements" with the Company and Marietta for such guest room amenities. The complaints alleged claims under federal and state antitrust laws for tying, exclusive dealing and monopolization, and related common law and federal trademark law claims. Valley sought injunctive relief and damages, including treble damages, in unspecified amounts "not less than \$10 million."

On December 22, 1994, the District Court entered an order dismissing the action. Valley has appealed that order to the United States Court of Appeals for the Sixth Circuit. The Company is awaiting a decision on the appeal.

From time to time, the Company is party to certain other claims, suits and complaints which arise in the ordinary course of business. Currently, there are no such claims, suits or complaints which, in the opinion of management, would have a material adverse effect on the Company's financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's common stock has been traded on the New York Stock Exchange, Inc. ("NYSE") under the symbol GSY since August 6, 1996. Prior to being listed on the NYSE, the Company's common stock was traded on the NASDAQ National Market System under the symbol GEST. The table below sets forth the high and low closing prices during each of the last two fiscal years on the NYSE and the NASDAQ National Market System, as applicable. The approximate number of holders of the Company's common stock at September 30, 1996 was 480. No cash dividends have been declared on the common stock since the Company was organized.

On October 24, 1995, the Company effected a three-for-two split of its common stock in the form of a stock dividend. All per share market price information set forth herein has been adjusted for this stock split.

Market Price Range

Year Ended September 30, 1996

<TABLE>
<CAPTION>

	High ----	Low ----
<S>	<C>	<C>
First Quarter	\$23.13	\$18.00
Second Quarter	23.25	11.25
Third Quarter	17.25	11.88
Fourth Quarter	16.75	12.38

</TABLE>

Year Ended September 30, 1995

<TABLE>
<CAPTION>

	High ----	Low ----
<S>	<C>	<C>
First Quarter	12.83	10.25
Second Quarter	14.75	11.58
Third Quarter	17.67	13.58
Fourth Quarter	23.17	16.75

</TABLE>

On December 19, 1996, the closing sales price for the Company's common stock was \$16.75 per share.

ITEM 6. SELECTED FINANCIAL DATA.

Years Ended September 30,

In thousands except per share amounts

<TABLE>
<CAPTION>

	1996 -----	1995 -----	1994 -----	1993 -----	1992 -----
<S>	<C>	<C>	<C>	<C>	<C>

Sales	\$179,042	\$159,450	\$116,325	\$97,851	\$86,047
Gross Profit	37,998	37,365	30,751	26,804	22,531
Selling, General and Administrative Expenses	30,919	28,409	24,858	22,865	20,437
Operating Income	7,079	8,956	5,893	3,939	2,094
Income Before Extraordinary Item/1/	3,151	5,090	4,117	1,412	400
Net Income	3,151	5,090	4,117	2,243	840
Working Capital	35,223	27,475	22,689	21,810	21,002
Total Assets	102,888	95,607	72,967	55,621	54,383
Total Long-term Liabilities	28,292	22,866	16,778	13,793	15,488
Total Liabilities	60,485	56,498	39,722	26,960	28,063
Total Equity	42,403	39,109	33,245	28,661	26,320

Common Share Data

Weighted Average Shares
and Share Equivalents

Outstanding	7,074	7,293	7,041	6,470	6,410
Earnings Per Share Before Extraordinary Item/1/	\$ 0.45	\$ 0.70	\$ 0.58	\$ 0.22	\$ 0.06
Earnings Per Share	\$ 0.45	\$ 0.70	\$ 0.58	\$ 0.35	\$ 0.13
Book Value Per Share	\$ 6.89	\$ 6.36	\$ 5.50	\$ 4.82	\$ 4.49

</TABLE>

/1/ Extraordinary item results from the utilization of net operating loss carryforwards.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

FISCAL 1996 COMPARED TO FISCAL 1995 Sales for the year ended September 30, 1996 increased by 12.3% or \$19.6 million to \$179.0 million from \$159.4 million for the year ended September 30, 1995. Revenues from hotel customers increased \$16.7 million or 12.2% to \$153.0 million. This increase is the result of sales of additional products to existing customers, the addition of new customers, an increase in the sales of textiles and the continued introduction of new items to the Company's product line.

Sales to consumer product companies and retailers were \$26.0 million compared to \$23.1 million for the year ended September 30, 1995. The increase of \$2.9 million or 12.7% was due to increased sales to existing customers. The Company attributes this increase to the service and capabilities it provides to its customers.

Gross profit for the year ended September 30, 1996 was \$38.0 million or 21.2% of sales compared to \$37.4 million or 23.4% for the year ended September 30, 1995. The decrease in gross profit as a percentage of sales was due to a number of factors. In the Company's second fiscal quarter, a major retail customer temporarily reduced its orders with the Company. Both the temporary nature and timing of this decrease in orders limited the Company's ability to reduce operating costs or seek replacement business. Gross profit as a percentage of sales was also reduced by a pricing concession to a customer which the Company believes was necessary to gain incremental volume in the future. In the fourth fiscal quarter, the Company experienced higher than anticipated waste factors over standard, and as a result recorded an inventory adjustment of approximately \$0.6 million. Manufacturing inefficiencies also contributed to the decline in gross profit rate as a result of the Company's expansion of its manufacturing facility which is now essentially completed. The increase in textiles product sales also contributed to a decline in gross profit as a percentage of sales as a result of a lower gross profit rate associated with textiles when compared with the Company's other products.

Selling, general and administrative expenses were \$30.9 million or 17.3% of sales for the year ended September 30, 1996 compared to \$28.4 million or 17.8% for the prior year. The increase of \$2.5 million was due primarily to increased payroll and payroll related costs. The decrease in selling, general and administrative costs as a percentage of sales was the result of increased sales volume combined with the Company's cost containment program.

The effective tax rate increased to 41.3% in fiscal 1996 from 35.2% in fiscal 1995. The increase in tax rate is the result of a reduction in the utilization of net operating loss carryforwards.

FISCAL 1995 COMPARED TO FISCAL 1994 Sales for the year ended September 30, 1995 increased by 37.1% or \$43.1 million to \$159.4 million from \$116.3 million for the year ended September 30, 1994. Revenues generated from hotel customers increased \$32.5 million or 31.3% to \$136.4 million. This gain is the result of selling additional products to existing customers, the addition of new customers, an increase in the sales of textiles and the introduction of new items to the Company's product line. The increase in sales attributable to new products and the addition of new customers is a result of the Company's

continuing efforts to expand its product line and to emphasize its sales and marketing efforts to increase sales to current customers and sell products to new customers. In addition, according to statistics published by trade publications, room demand increased in 1995, which Management believes further contributed to the Company's sales increase.

Sales to consumer product companies and retailers were \$23.1 million compared to \$12.5 million for the year ended September 30, 1994. The increase of \$10.6 million or 84.6% was primarily due to increased sales to existing customers. The Company attributes this increase to the service and capabilities it provides to its customers.

Gross profit for the year ended September 30, 1995 was \$37.4 million or 23.4% of sales compared to \$30.8 million or 26.4% for the year ended September 30, 1994. The decrease in gross profit as a percentage of sales was due primarily to inefficiencies experienced at the Company's manufacturing facility. These inefficiencies were a result of delays in completing the Company's plant expansion project and subsequent materials flow problems. The increase in textiles product sales also contributed to the decrease in gross profit as a result of the lower gross profit associated with textiles when compared with the Company's other products. During 1995, the cost of pulp, cotton, tallow and plastic resins increased. This resulted in the Company experiencing cost increases in cartons, bottles, textiles and soap base. Although most of these cost increases were passed through to the Company's customers, gross margin declined slightly as a result of these cost increases.

Selling, general and administrative expenses were \$28.4 million or 17.8% of sales for the year ended September 30, 1995 compared to \$24.9 million or 21.4% for the prior year. The increase of \$3.5 million was primarily due to increased payroll and payroll related costs. The decrease in selling, general and administrative costs as a percentage of sales was the result of increased sales volume combined with the effects of the Company's cost containment program.

The effective tax rate increased to 35.2% in fiscal 1995 from 15.8% in fiscal 1994. The increase is the result of a reduction in the utilization of net operating loss carryforwards.

LIQUIDITY AND CAPITAL RESOURCES The Company had \$35.2 million of working capital at September 30, 1996 as compared to \$27.5 million at September 30, 1995. This increase was due primarily to higher inventory levels financed through bank borrowings.

At September 30, 1996, the Company had a two-year \$22.0 million revolving credit facility with two banks expiring in October 1997. This credit facility bears interest at a rate equal to LIBOR plus 1.0%, the bank's prime rate or a fixed rate, as selected by the Company. In addition, the Company had outstanding term loans in the amount of \$14.7 million payable in equal monthly installments and maturing from February 1999 through November 2002. At September 30, 1996, the Company had outstanding \$14.0 million under its revolving credit facility at an interest rate ranging from 6.56% to 7.38% and had an unused amount available of \$6.2 million. On December 30, 1996, the Company amended its revolving credit agreement with the banks to modify certain financial covenants.

All of the Company's loans with the banks are secured by substantially all of its assets and are subject to certain financial covenants.

The Company has excellent relationships with its banks and expects to extend its revolving credit facility prior to its maturity. The Company believes that the amount available under its revolving credit facility together with the cash flow from operations will be sufficient to meet the Company's short-term working capital requirements and upon extension, its identifiable long-term capital needs. The Company also believes that, if necessary, additional financing will be available to it on commercially reasonable terms.

RECENTLY ISSUED ACCOUNTING STANDARDS The Financial Accounting Standards Board issued Statement No. 123, Accounting for Stock-Based Compensation (SFAS No. 123). Under this new standard, a new fair value based method of accounting for stock-based compensation arrangements with employees is established. Entities may continue to use the Opinion 25 method or adopt the SFAS No. 123 fair value based method. If the Company continues to use the Opinion 25 method, SFAS No. 123 requires footnote disclosure of proforma net income and earnings per share information as if the fair value based method had been adopted. The Company has not yet determined which method it will use. This Statement is effective for financial statements for fiscal years beginning after December 15, 1995, or for the fiscal year for which the Statement is initially adopted for recognizing compensation expense, whichever comes first.

The Financial Accounting Standards Board issued Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed (SFAS No. 121). This new standard requires the assessment of the recoverability of long-lived assets and certain intangibles and related goodwill and recognition of any impairment losses. The Company does not believe the adoption of SFAS No. 121 will have a material effect on the Company's consolidated financial statements. This Statement is effective for fiscal years beginning after December 15, 1995.

CAUTIONARY STATEMENT This Annual Report on Form 10-K may contain forward-looking information about the Company. The Company is hereby setting forth statements identifying important factors that may cause the Company's actual results to differ materially from those set forth in any forward-looking statements made by

the Company. Some of the most significant factors include an unanticipated downturn in the lodging industry resulting in lower demand for the Company's products, the unanticipated loss of, or decline in sales to, a major customer, and unforeseen inefficiencies at the Company's manufacturing facility or arising out of the transition to the Company's new warehouse facility. Accordingly, there can be no assurances that any anticipated future results will be achieved.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

GUEST SUPPLY, INC. AND SUBSIDIARIES

Consolidated Financial Statements
September 30, 1996, 1995 and 1994

Index to Financial Statements

<TABLE>
<CAPTION>

	Page Number -----
<S>	<C>
1. Financial Statements:	
Independent Auditors' Report.....	23
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Consolidated Statements of Operations -- Years Ended September 30, 1996, 1995 and 1994.....	25
Consolidated Statements of Cash Flows -- Years Ended September 30, 1996, 1995 and 1994.....	26
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</TABLE>

All other schedules have been omitted because they are inapplicable or the information is provided in the financial statements, including the notes thereto.

Independent Auditors' Report

The Board of Directors and Shareholders
Guest Supply, Inc.:

We have audited the consolidated financial statements of Guest Supply, Inc. and subsidiaries as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit 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 Guest Supply, Inc. and subsidiaries as of September 30, 1996 and 1995, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 1996 in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG Peat Marwick LLP

Short Hills, New Jersey
November 18, 1996

CONSOLIDATED BALANCE SHEETS
Guest Supply, Inc. and Subsidiaries

<TABLE>
<CAPTION>
September 30,

Dollars In Thousands except per share amounts

	1996	1995
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,591	\$ 1,825
Accounts receivable, net of allowance for doubtful accounts of \$898 - 1996 and \$692 - 1995	28,084	28,663
Inventories	33,362	28,269
Deferred income taxes	1,557	1,434
Prepaid expenses and other current assets	1,822	916
Total current assets	67,416	61,107
Equipment and leasehold improvements, net of accumulated depreciation and amortization	29,810	28,507
Other assets	134	97
Excess of cost over net assets acquired, net of accumulated amortization of \$3,889 - 1996 and \$3,521 - 1995	5,528	5,896
	\$102,888	\$ 95,607

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accounts payable and accrued expenses	\$ 28,320	\$ 31,226
Current maturities of long-term debt	3,873	2,406
Total current liabilities	32,193	33,632
Long-term debt	24,972	20,990
Deferred income taxes	3,320	1,876
Total long-term liabilities	28,292	22,866

Commitments and contingencies

Shareholders' equity:

Preferred stock - without par value; authorized 1,000,000 shares, outstanding none

Common stock - without par value; stated value \$0.10; authorized 20,000,000 shares, issued and outstanding 6,156,075 shares - 1996 and 6,146,335 shares - 1995	543	542
Additional paid-in capital	35,042	34,922
Retained earnings	6,929	3,778
Cumulative foreign currency translation adjustments	(111)	(133)
Total shareholders' equity	42,403	39,109
	\$102,888	\$ 95,607

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS
Guest Supply, Inc. and Subsidiaries

<TABLE>
<CAPTION>

Years Ended September 30,

Dollars In Thousands except per share amounts	1996	1995	1994
<S>	<C>	<C>	<C>
Sales	\$179,042	\$159,450	\$116,325
Cost of sales	141,044	122,085	85,574
Gross profit	37,998	37,365	30,751
Selling, general and administrative expenses	30,919	28,409	24,858
Operating income	7,079	8,956	5,893
Interest and other income	53	10	62
Interest expense	(1,764)	(1,109)	(1,063)
Income before income taxes	5,368	7,857	4,892
Income tax expense	2,217	2,767	775
Net income	\$ 3,151	\$ 5,090	\$ 4,117
Earnings per common share:			
Primary	\$.45	\$ 0.70	\$ 0.58
Fully diluted	\$ 0.45	\$ 0.68	\$ 0.58

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Guest Supply, Inc. and Subsidiaries

<TABLE>
<CAPTION>

Years Ended September 30,

Dollars in Thousands	1996	1995	1994
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	\$ 3,151	\$ 5,090	\$ 4,117
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation and amortization	3,345	2,800	2,417
Provision for losses on accounts receivable	316	223	419
Gain on sale of fixed assets			(53)
Deferred income tax expense	1,321	442	

Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	263	(9,636)	(4,555)
Increase in inventories	(5,093)	(6,137)	(3,860)
Increase in prepaid expenses and other current assets	(906)	(183)	(249)
(Increase) decrease in other assets	(37)	(13)	9
(Decrease) increase in accounts payable and accrued expenses	(2,906)	10,315	8,416
Foreign currency translation adjustments	22	(59)	100
	(3,675)	(2,248)	(2,644)

Net cash (used in) provided by operating activities	(524)	2,842	6,761

Cash flows from investing activities:			
Proceeds from sale of fixed assets			75
Capital expenditures	(4,280)	(9,953)	(9,322)
	(4,280)	(9,953)	(9,247)

Cash flows from financing activities:			
Net (payments) borrowings on revolving credit agreements	(1,396)	8,755	(5,877)
Proceeds from issuance of long-term debt	10,500		10,000
Repayment of long-term debt	(3,655)	(1,909)	(1,329)
Proceeds from issuance of common stock	121	308	367
	5,570	7,154	3,161

Net increase in cash and cash equivalents	766	43	675
Cash and cash equivalents at beginning of year	1,825	1,782	1,107

Cash and cash equivalents at end of year	\$ 2,591	\$ 1,825	\$ 1,782
=====			

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Guest Supply, Inc. and Subsidiaries

<TABLE>			
<CAPTION>			
Years Ended September 30,			
Dollars in Thousands	1996	1995	1994
<S>	<C>	<C>	<C>

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest, net of capitalized interest	\$1,674	\$1,082	\$1,130
Income taxes, net of refunds	\$1,739	\$1,909	\$ 234

Supplemental schedule of non-cash financing and investing activities:

</TABLE>

The Company received an income tax benefit on the exercise of certain of its stock options in the amount of \$125 in 1995 which benefit was credited to additional paid-in capital.

In June, 1995, the \$400 convertible subordinate note was converted into 25,806 shares of the Company's common stock.

Excess of cost over net assets acquired and income taxes payable were reduced by \$184 in 1994 resulting from the utilization of acquired net operating loss carryforwards of a subsidiary.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
 Guest Supply, Inc. and Subsidiaries

Dollars in Thousands

<TABLE>
 <CAPTION>

	Common	Stock	Additional	Retained	Cumulative
	Number of	Amount	Paid-in	(Accumulated	Foreign
	Shares		Capital	Deficit)	Currency
					Translation
					Adjustments
<S>	<C>	<C>	<C>	<C>	<C>
Balance, September 30, 1993	3,961,474	\$ 323	\$ 33,941	\$ (5,429)	\$ (174)
Net Income				4,117	
Sales through employee stock option and purchase plans	26,293	3	165		
Common stock warrants exercised	42,000	4	195		
Equity adjustments from foreign currency translation					100
Balance, September 30, 1994	4,029,767	330	34,301	(1,312)	(74)
Net Income				5,090	
Sales through employee stock option and purchase plans	27,023	3	189		
Common stock warrants exercised	15,000	1	115		
Conversion of convertible debt	25,806	3	397		
Three-for-two stock split	2,048,739	205	(205)		
Tax benefits associated with exercise of stock options			125		
Equity adjustments from foreign currency translation					(59)
Balance, September 30, 1995	6,146,335	542	34,922	3,778	(133)
Net income				3,151	
Sales through employee stock option and purchase plans	9,740	1	120		
Equity adjustments from foreign currency translation					22
Balance, September 30, 1996	6,156,075	\$543	\$35,042	\$6,929	\$(111)

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Guest Supply, Inc. and Subsidiaries
 Dollars in Thousands except per share amounts

BUSINESS DESCRIPTION The Company operates principally as a manufacturer, packager and distributor of personal care guest amenities, housekeeping supplies, room accessories and textiles to the lodging industry. The Company also manufactures and packages products for major consumer products and retail companies.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Principles of consolidation - The consolidated financial statements include the accounts of Guest Supply, Inc. and all of its subsidiaries ("the Company"), each of which is wholly owned. All significant intercompany transactions and balances are eliminated in consolidation.

Risks and uncertainties - The Company's revenues are dependent on the continued operation of its manufacturing facility and its various distribution centers. The operation of these facilities involves many risks, including the breakdown, failure or substandard performance of equipment, natural disasters and the need to comply with directives of governmental agencies. The occurrence of material operational problems, including but not limited to the above events, may have a material adverse effect on the productivity and profitability of a particular facility or with respect to certain facilities, the Company as a whole, during the period of such operational difficulty.

Foreign currency translation - Foreign currency transactions and financial statements are translated into US dollars at current exchange rates except revenues, costs and expenses which are translated at average exchange rates during each reporting period. Exchange gains and losses resulting from foreign currency transactions are included in the Consolidated Statements of Operations currently, whereas, adjustments resulting from translations of financial statements are reflected as a separate component of shareholders' equity.

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

Inventories - Inventories are stated at the lower of cost or market. Cost is determined using the weighted-average and first-in, first-out methods.

Equipment and leasehold improvements - Equipment and leasehold improvements are carried at cost. Depreciation and amortization is computed using the straight-line method over the life of the related asset or, for improvements, over the life of the related lease, if shorter. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

Excess of cost over net assets acquired - Excess of cost over net assets acquired is being amortized using the straight-line method over 25 years. The Company continually evaluates the amortization period of its intangible assets. Estimates of useful lives are revised when circumstances or events indicate that the original estimate is no longer appropriate.

Revenue - Revenues are recognized at the time goods are shipped and title has passed. Credit is generally extended to customers within these industries on an uncollateralized basis.

Concentration of credit risk - Concentration of credit risk consists principally of accounts receivable. At September 30, 1996, one customer with sales totaling 11.1% of the Company's total sales accounted for 22.2% of the Company's total accounts receivable. For the year ended September 30, 1995, sales to two customers totaled 11.3% and 10.8% of the Company's total sales and accounted for approximately 36% of the Company's total accounts receivable. No single customer accounted for 10% or greater of the Company's total sales for the year ended September 30, 1994.

Income taxes - The provision for income taxes is based on earnings reported in the financial statements under the asset and liability approach in accordance with SFAS No. 109 "Accounting for Income Taxes". Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Statements of Cash Flows - For purposes of reporting cash flows, cash and cash equivalents include cash on hand and certificates of deposit with a maturity at time of purchase of three months or less.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Guest Supply, Inc. and Subsidiaries

INVENTORIES

<TABLE>
<CAPTION>

	1996	1995
<S>	<C>	<C>
Finished goods	\$ 22,921	\$ 19,508
Work in progress	10,441	8,761
	\$ 33,362	\$ 28,269

</TABLE>

Costs included in inventories are comprised of raw materials, direct labor and overhead related to the manufacturing process.

<TABLE>
<CAPTION>

EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	1996	1995	Useful Lives
<S>	<C>	<C>	<C>
Computers	\$ 2,032	\$ 1,832	3 to 10 years
Furniture and fixtures	1,580	1,590	3 to 8 years
Machinery and equipment	34,682	28,599	3 to 15 years
Molds	4,488	4,092	5 to 7 years
Automobiles	139	133	2 to 5 years

Leasehold improvements	3,608	2,630	Life of lease
Construction in progress	1,774	5,318	

	48,303	44,194	
Less accumulated depreciation and amortization	18,493	15,687	

	\$ 29,810	\$ 28,507	

</TABLE>

Depreciation and amortization of equipment and leasehold improvements charged to income was \$2,977, \$2,432 and \$2,031 for the years ended September 30, 1996, 1995 and 1994, respectively.

INCOME TAXES

Income tax expense is comprised of the following:

<TABLE>			
<CAPTION>			
	1996	1995	1994

<S>	<C>	<C>	<C>
Federal - Current	\$ 828	\$ 1,981	\$ 533
- Deferred	960	356	

Total Federal income taxes	1,788	2,337	533

State - Current	245	344	242
- Deferred	184	86	

Total State Income taxes	429	430	242

Total income tax provision	\$ 2,217	\$ 2,767	\$ 775

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Guest Supply, Inc. and Subsidiaries

The following is a reconciliation of Federal income tax expense computed using the statutory rate of 34% to the Company's effective income tax expense:

<TABLE>			
<CAPTION>			
	1996	1995	

<S>	<C>	<C>	
Computed "expected" income tax expense	\$ 1,825	\$ 2,671	
Increase (reduction) in tax expense resulting from:			
State income taxes, net of Federal income tax benefit	283	284	
Amortization of goodwill	125	125	
Utilization of net operating loss carryforwards		(293)	
Other, net	(16)	(20)	

	\$ 2,217	\$ 2,767	

</TABLE>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at September 30, 1996 and 1995 are as follows:

<TABLE>			
<CAPTION>			
	1996	1995	

<S>	<C>	<C>	
Deferred tax assets:			
Allowance for doubtful accounts	\$ 350	\$ 259	
Inventory obsolescence reserve and uniform capitalization	1,040	868	
Net operating loss carryforwards	137	150	
Alternative minimum tax credit carryforwards	500	792	
Other	167	157	

Net deferred tax asset	2,194	2,226	
Deferred tax liability - principally excess of tax over financial statement depreciation	(3,957)	(2,668)	

Net deferred taxes	\$ (1,763)	\$ (442)	

</TABLE>

At September 30, 1996, the Company has net operating loss carryforwards for

state income tax purposes of approximately \$2,282 which are available to reduce future state income taxes, if any, through the year 2003. In addition, the Company has alternative minimum tax credit carryforwards of approximately \$500 which are available to reduce future Federal regular income taxes, if any, over an indefinite period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 Guest Supply, Inc. and Subsidiaries

LONG-TERM DEBT

	1996	1995
<S>	<C>	<C>
Revolving credit facility	\$ 14,034	\$ 15,430
\$5,000 five-year term note payable, due in equal monthly payments of \$83 through February 1999, interest at 6.45%	2,417	3,416
\$5,000 four-year term note payable, due in equal monthly payments of \$104 through February 1999, interest at 8.25%	3,021	4,271
\$10,500 seven-year term note payable, due in equal monthly payments of \$125 through November 2002, interest at 7.0%	9,250	
Capital lease obligations	123	279
	28,845	23,396
Less: Current maturities	3,873	2,406
	\$ 24,972	\$ 20,990

</TABLE>

On October 31, 1995, the Company entered into a credit facility with two banks for a seven-year \$10,500 term loan and a two-year \$22,000 revolving credit facility. The term loan is payable in equal monthly installments of \$125 which commenced in December, 1995, and bears interest at a rate equal to 7.0% per annum. The revolving credit loan under the credit facility bears interest at a rate equal to LIBOR plus 1.0%, the bank's prime rate or a fixed rate, as selected by the Company. The proceeds under this credit facility were used to repay the outstanding balance under the existing revolving credit facility and are for future working capital needs. The Company also has two term loans payable of \$5,438 at September 30, 1996 under a previous credit agreement with one of the banks. At September 30, 1996, the revolving credit facility carried an interest rate ranging from 6.56% to 7.38%. The unused amount available to the Company at September 30, 1996 was \$6,250.

All of the Company's loans with the banks are secured by substantially all of its assets and are subject to certain financial covenants, as amended.

<TABLE>

Long-term debt at September 30, 1996 matures as follows:

	<C>
<S>	
1997	\$3,873
1998	17,785
1999	2,437
2000	1,500
Thereafter	3,250

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 Guest Supply, Inc. and Subsidiaries

LEASES The Company leases its office, warehouse facilities and vehicles under long-term lease agreements. These leases are classified as operating leases and expire in various years through 2006. In addition, certain equipment is leased under capital lease agreements. The leases generally provide that the Company pay the insurance and maintenance expenses related to the leased assets.

An analysis of assets under capital lease is as follows:

	1996	1995
<S>	<C>	<C>
Computers	\$ 235	\$ 235
Equipment	607	607

	842	842
Less: Accumulated amortization	396	302
	\$ 446	\$ 540

</TABLE>

Future minimum lease payments under non-cancelable operating leases and future capital lease payments as of September 30, 1996 are:

<TABLE>
<CAPTION>

September 30,	Capital Leases	Operating Leases
<S>	<C>	<C>
1997	\$ 129	\$ 3,112
1998		2,520
1999		1,851
2000		1,412
2001		1,142
Thereafter		5,450
Total minimum lease payments	129	\$ 15,487
Less amount representing interest	6	
Present value of minimum capital lease payments	\$123	

</TABLE>

Rent expense under operating leases was \$3,888, \$3,421 and \$2,826 for the years ended September 30, 1996, 1995 and 1994, respectively.

LITIGATION From time to time, the Company is a party to legal actions arising in the ordinary course of business. Management believes that such litigation and claims will be resolved without material effect on the Company's financial position.

EARNINGS PER COMMON SHARE Primary and fully diluted earnings per common share are based on the weighted average number of common and common share equivalents outstanding during each year. When stock options and warrants are dilutive, they are included as share equivalents using the modified treasury stock method. Where the effect of the assumed exercise on net income would be anti-dilutive, primary and fully diluted earnings per common share are stated the same. On September 18, 1995, the Board of Directors of the Company declared a three-for-two stock split to be paid in the form of a 50% stock dividend. The additional 2,048,739 shares of common stock were issued on October 24, 1995 to the shareholders of record on October 3, 1995. Distribution of fractional shares was paid in cash based on the closing price of the stock on the record date. The par value of the new shares issued totaled \$205 which was transferred from additional paid-in capital to common stock. Weighted average shares for computing primary earnings per share were 7,074,000, 7,293,000 and 7,041,000 for the years ended September 30, 1996, 1995 and 1994, respectively. Weighted average shares for computing fully diluted earnings per share were 7,074,000, 7,433,000 and 7,160,000 for the years ended September 30, 1996, 1995 and 1994, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Guest Supply, Inc. and Subsidiaries

EMPLOYEE STOCK OPTION AND PURCHASE PLANS Under the stock option plans approved by the Company's stockholders, key employees may be granted options to purchase shares of common stock exercisable at prices not less than fair market value at the date of grant. Options generally become exercisable 20% one year from the date of grant, with an additional 20% exercisable each succeeding year. The options expire ten years from the date of grant.

Transactions relating to these stock option plans are summarized as follows:

<TABLE>
<CAPTION>

	Number of Options	Price Range
<S>	<C>	<C>
Outstanding, September 30, 1993	754,800	\$2.67 - \$6.17
Granted	241,500	\$9.83
Exercised	(28,875)	\$2.67 - \$6.17
Outstanding, September 30, 1994	967,425	\$2.67 - \$9.83
Exercised	(32,625)	\$2.67 - \$5.92
Outstanding, September 30, 1995	934,800	\$2.67 - \$9.83

Granted	78,000	\$11.50 - \$16.25
Exercised	(1,500)	\$2.67

Outstanding, September 30, 1996	1,011,300	\$2.67 - \$16.25

Exercisable, September 30, 1996	742,380	\$2.67 - \$9.83
=====		

</TABLE>

The Company maintains an Employee Stock Purchase Plan in which eligible employees may purchase a limited amount of shares over successive six-month offering periods at 85% of fair market value on either the first or last day of each six-month period, whichever is less. During the years ended September 30, 1996, 1995 and 1994, there were 8,240; 7,910 and 10,565 shares purchased under this plan, respectively. At September 30, 1996, 92,024 shares are reserved for future issuance under this plan.

LONG-TERM INCENTIVE PLAN In March, 1996, the shareholders of the Company adopted the 1996 Long-Term Incentive Plan. Under the plan, 400,000 shares of common stock will be available for issuance of awards. The Stock Option Committee is authorized to grant a wide range of awards, including options, stock appreciation rights, restricted stock, performance awards and other stock-based awards to any employee or director.

During 1996, the Company issued 163,000 ten-year options under the plan at \$15.25 per share. No options were exercised during the year and 3,000 options were canceled. At September 30, 1996, 160,000 options are outstanding and 240,000 shares are available for issuance. No options were exercisable under the plan at September 30, 1996.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Guest Supply, Inc. and Subsidiaries

COMMON STOCK WARRANTS The Board of Directors may grant common stock warrants to directors and officers of the Company at exercise prices not less than market value at the date of grant. All outstanding warrants expire during the fiscal years 1998 through 2000.

Transactions relating to common stock warrants are summarized as follows:

<TABLE>
<CAPTION>

	NUMBER OF WARRANTS	PRICE RANGE
<S>	<C>	<C>
Outstanding, September 30, 1993	828,750	\$2.67 - \$5.17
Exercised	(63,000)	\$3.17

Outstanding, September 30, 1994	765,750	\$2.67 - \$5.17
Exercised	(22,500)	\$5.17

Outstanding, September 30, 1995	743,250	\$2.67 - \$5.17

Outstanding, September 30, 1996	743,250	\$2.67 - \$5.17
=====		
Exercisable, September 30, 1996	743,250	\$2.67 - \$5.17
=====		

</TABLE>

EMPLOYEE BENEFIT PLAN The Company has a 401(k) Savings Plan under which the Company annually matches a portion of the amount of contributions made by the employee. All domestic employees with one year of continuous service are eligible for the plan. Company matching contributions are 100% vested, as are any contributions made by the employee. The Company may also make, in its sole discretion, annual discretionary contributions which vest over a six-year period. The Company has not made any discretionary contributions.

Employer contributions relating to these plans were \$138, \$130 and \$153 for the years ended September 30, 1996, 1995 and 1994, respectively.

SHAREHOLDERS' PREFERRED PURCHASE RIGHTS On July 14, 1988, the Board of Directors of the Company declared a dividend of one preferred share purchase right for each outstanding share of common stock of the Company. The dividend was payable on July 26, 1988 to the shareholders of record on that date. Each right entitles the registered holder to purchase from the Company one one-hundredth of a Preferred Share at a price of \$20.00, subject to adjustment.

The rights agreement provides that, until the earlier to occur of (i) 10 days following a public announcement that a person or group of affiliated or associated persons has acquired beneficial ownership of 20% or more of the outstanding common stock, or (ii) 10 days following the commencement of, or announcement of an intention to make a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of 20% or more of such outstanding common stock, the rights will be

transferred with and only with the common stock.

The rights are not exercisable until the earlier of such date described above and will expire on July 15, 1998, unless the final expiration date is extended or the rights are earlier redeemed by the Company at \$.01 per right.

QUARTERLY FINANCIAL DATA The following table sets forth certain unaudited quarterly financial information.

Year ended September 30, 1996	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<S>	<C>	<C>	<C>	<C>
Sales	\$41,714	\$37,281	\$47,863	\$52,184
Gross profit	9,495	6,634	10,752	11,117
Net income (loss)	944	(824)	1,440	1,591
Earnings (loss) per common share	\$ 0.13	(\$0.13)	\$ 0.20	\$ 0.22
Year ended September 30, 1995				
Sales	\$32,763	\$34,193	\$44,062	\$48,432
Gross profit	7,840	7,963	10,313	11,249
Net income	802	706	1,359	2,223
Earnings per common share	\$ 0.11	\$ 0.10	\$ 0.19	\$ 0.30

GUEST SUPPLY, INC. AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

Column A	Column B	Column C	Column D	Column E	
<S>	<C>	<C>	<C>	<C>	
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
Reserve and allowances deducted from asset accounts:					
Allowance for uncollectible accounts					
Year Ended September 30, 1996	\$ 692,000	\$316,000	\$0	\$110,000	\$898,000
Year Ended September 30, 1995	\$ 852,000	\$223,000	\$0	\$383,000	\$692,000
Year Ended September 30, 1994	\$1,051,000	\$419,000	\$0	\$618,000	\$852,000

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

For information concerning this item, see "Item 1. - Business - Executive Officers" and the table and text under the caption "Certain Information Concerning Nominees and Directors" and "Compliance with Section 16(a) of the Securities Exchange Act of 1934" of the Proxy Statement to be filed with respect to the 1997 Annual Meeting of Shareholders to be held on March 5, 1997 (the "Proxy Statement"), which information is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

For information concerning this item, see the table and text under the captions "Executive Compensation," "Compensation of Directors," "Personnel and Compensation Committee Interlocks and Insider Participation" and "Employment Agreements" of the Proxy Statement, which information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

For information concerning this item, see the table and text under the caption "Information Concerning Certain Shareholders" of the Proxy Statement, which information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

For information concerning this item, see the text under the caption "Personnel and Compensation Committee Interlocks and Insider Participation" of the Proxy Statement, which information is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) 1. Financial Statements:

Included in Part II of this report:

<TABLE>
<CAPTION>

	Page Number -----
<S>	<C>
Independent Auditors' Report.....	23
Consolidated Balance Sheets -- September 30 1996 and 1995.....	24
Consolidated Statements of Operations --Years Ended September 30, 1996, 1995 and 1994.....	25
Consolidated Statements of Cash Flows-- Years Ended September 30, 1996, 1995 and 1994.....	26
Consolidated Statements of Shareholders' Equity -- Years Ended September 30, 1996, 1995 and 1994.....	28
Notes to Consolidated Financial Statements.....	29

</TABLE>

2. Financial Statement Schedule:

Included in Part II of this report:

II - Valuation and Qualifying Accounts.....	36
---	----

All other schedules have been omitted because they are inapplicable or the information is provided in the financial statements, including the notes thereto.

3. Exhibits:

The exhibits required to be filed as part of this Annual Report on Form 10-K are listed in the attached Index to Exhibits.

(b) Current Reports on Form 8-K:

No reports on Form 8-K have been filed during the quarter ended September 30, 1996.

POWER OF ATTORNEY

The registrant and each person whose signature appears below hereby appoint Clifford W. Stanley and Thomas M. Haythe as attorneys-in-fact with full power of substitution, severally, to execute in the name and on behalf of the registrant and each such person, individually and in each capacity stated below, one or more amendments to the annual report which amendments may make such changes in the report as the attorney-in-fact acting in the premises deems appropriate and to file any such amendment to the report with the Securities and Exchange Commission.

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.

Dated: December 27, 1996

By /s/ Clifford W. Stanley

Clifford W. Stanley
President

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

Dated: December 27, 1996 By /s/ Clifford W. Stanley

Clifford W. Stanley
President, Principal
Executive Officer and
Director

Dated: December 27, 1996 By /s/ Thomas M. Haythe

Thomas M. Haythe
Director

Dated: December 27, 1996 By /s/ Peter L. Richard

Peter L. Richard
Director

Dated: December 27, 1996 By /s/ Teri E. Unsworth

Teri E. Unsworth
Vice President -
Market Development and
Director

Dated: December 27, 1996 By /s/ Edward J. Walsh

Edward J. Walsh
Director

Dated: December 27, 1996 By /s/ George S. Zabrycki

George S. Zabrycki
Director

Dated: December 27, 1996 By /s/ Paul T. Xenis

Paul T. Xenis
Vice President -
Finance and Principal Financial
and Accounting Officer

Index to Exhibits

	Page

3(a) Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996).	--
3(b) Certificate of Amendment of the Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996).	--
3(c) Certificate of Amendment of the Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3	

	to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996).	--
3(d)	Certificate of Amendment of the Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996).	--
3(e)	Certificate of Correction to the Certificate of Amendment of the Amended and Restated Certificate of Incorporation of the Company, (incorporated by reference to Exhibit 3(d) to the Company's Annual Report on Form 10-K for the year ended September 30, 1993).	--
3(f)	Certificate of Merger of Miraflores Designs, Inc. into the Company (incorporated by reference to Exhibit 3(e) to the Company's Annual Report on Form 10-K for the year ended September 30, 1993).	--
3(g)	Amended and Restated By-Laws of the Company(incorporated by references to Exhibit 3(f) to the Company's Annual Report on Form 10-K for the year ended September 30, 1994).	--
4(a)	Article THIRD of Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3(a) to Registration Statement on Form S-1 No. 33-7246).	--
4(b)	Form of Series W Warrant Certificate to purchase Common Stock of the Company (incorporated by reference to Exhibit 4(b) to the Company's Annual Report on Form 10-K for the year ended September 30, 1994).	--
4(c)	Form of Series A Warrant Certificate to purchase Common Stock of the Company (incorporated by reference to Exhibit 4(c) to the Company's Annual Report on Form 10-K for the year ended September 30, 1994).	--
4(d)	Form of Series B Warrant Certificate to purchase Common Stock of the Company (incorporated by reference to Exhibit 4(d) to the Company's Annual Report on Form 10-K for the year ended September 30, 1994).	--
4(e)	Rights Agreement dated as of July 15, 1988 between the Company and First Fidelity Bank (incorporated by reference to Exhibit 4(e) to the Company's Annual Report on Form 10-K for the year ended September 30, 1993).	--
10(a)	1983 Stock Option Plan of the Company, as amended (incorporated by reference to Exhibit 10(a) to Company's Annual Report on Form 10-K for the year ended September 30, 1993).	--
10(b)	1993 Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.4 to Registration Statement on Form S-8 No. 33-63352).	--
10(c)	1993 Stock Option Plan of the Company (incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-8 No. 33-63352).	--
10(d)	Lease dated February 28, 1985 between the Company and The Benenson Capital Company (incorporated by reference to Exhibit 10(1) to Registration Statement on Form S-1 No. 2-98274).	--
10(e)	Lease dated October 28, 1985 between the Company and Shore Point Distributors (incorporated by reference to Exhibit 10(y) to Registration Statement on Form S-1 No. 33-7246).	--
10(f)	Employment Agreement dated as of January 11,	

1988 between the Company and Clifford W. Stanley (incorporated by reference to Exhibit 10(g) to the Company's Annual Report on Form 10-K for the year ended September 30, 1994). --

10(g) Employment Agreement dated as of January 11, 1988 between the Company and James H. Riesenber (incorporated by reference to Exhibit 10(h) to the Company's Annual Report on Form 10-K for the year ended September 30, 1994). --

10(h) Employment Agreement dated as of January 11, 1988 between the Company and Teri E. Unsworth (incorporated by reference to Exhibit 10(i) to the Company's Annual Report on Form 10-K for the year ended September 30, 1994). --

10(i) Guest Supply, Inc. 401(k) Plan & Trust --

10(j) Guest Supply, Inc. 1996 Long Term Incentive Plan --

10(k) Revolving Credit and Term Loan Agreement dated October 31, 1995 among Guest Supply, Inc., Guest Packaging, Inc. and Breckenridge-Remy Co., as the Borrower, and PNC Bank, National Association and First Fidelity Bank, N.A., as Lenders, and PNC Bank, National Association, as Agent

(incorporated by reference to Exhibit 10(k) to the Company's Annual Report on Form 10-K for the year ended September 30, 1995). --

10(l) Term Note dated October 31, 1995 in the principal amount of \$3,749,996 executed by Guest Supply, Inc., Guest Packaging, Inc. and Breckenridge-Remy Co. payable to PNC Bank, National Association (incorporated by reference to Exhibit 10(l) to the Company's Annual Report on Form 10-K for the year ended September 30, 1995). --

10(m) Term Note dated October 31, 1995 in the principal amount of \$6,750,000 executed by Guest Supply, Inc., Guest Packaging, Inc. and Breckenridge-Remy Co. payable to First Fidelity Bank, N.A. (incorporated by reference to Exhibit 10(m) to the Company's Annual Report on Form 10-K for the year ended September 30, 1995). --

10(n) Revolving Credit Note dated October 31, 1995 in the principal amount of \$13,750,000 executed by Guest Supply, Inc., Guest Packaging, Inc. and Breckenridge-Remy Co. payable to PNC Bank, National Association (incorporated by reference to Exhibit 10(n) to the Company's Annual Report on Form 10-K for the year ended September 30, 1995). --

10(o) Revolving Credit Note dated October 31, 1995 in the principal amount of \$8,250,000 executed by Guest Supply, Inc., Guest Packaging, Inc. and Breckenridge-Remy Co. payable to First Fidelity Bank, N.A. (incorporated by reference to Exhibit 10(o) to the Company's Annual Report on Form 10-K for the year ended September 30, 1995). --

10(p) Existing Loan Note dated October 31, 1995 in the principal amount of \$3,333,340 executed by Guest Supply, Inc., Guest Packaging, Inc. and Breckenridge-Remy Co. payable to PNC Bank, National Association

(incorporated by reference to Exhibit 10(p) to the Company's Annual Report on Form 10-K for the year ended September 30, 1995). --

10(q) Existing New Term Loan Note dated October 31, 1995 in the principal amount of \$4,166,664

executed by Guest Supply, Inc., Guest Packaging, Inc. and Breckenridge-Remy Co. payable to PNC Bank, National Association (incorporated by reference to Exhibit 10(q) to the Company's Annual Report on Form 10-K for the year ended September 30, 1995). --

10(r) Security Agreement dated October 31, 1995 made by Guest Supply, Inc. in favor of PNC Bank, National Association, as Agent for the benefit of the Lenders (incorporated by reference to Exhibit 10(r) to the Company's Annual Report on Form 10-K for the year ended September 30, 1995). --

10(s) Security Agreement dated October 31, 1995 made by Guest Packaging, Inc. in favor of PNC Bank, National Association, as Agent for the benefit of the Lenders (incorporated by reference to Exhibit 10(s) to the Company's Annual Report on Form 10-K for the year ended September 30, 1995). --

10(t) Security Agreement dated October 31, 1995 made by Breckenridge-Remy Co. in favor of PNC Bank, National Association, as Agent for the benefit of the Lenders (incorporated by reference to Exhibit 10(t) to the Company's Annual Report on Form 10-K for the year ended September 30, 1995). --

10(u) Employment Agreement dated as of July 29, 1988 between the Company and Paul T. Xenis (incorporated by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 1994). --

10(v) Amendment No. 1 dated as of May 18, 1994 to the Employment Agreement dated

as of July 29, 1988 between Company and Paul T. Xenis (incorporated by reference to Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 1994). --

10(w) Lease dated March 16, 1995 between the Company and The Morris Company (incorporated by reference to Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995). --

10(X) Amendment No. 1 to Revolving Credit and Term Loan Agreement (incorporated by reference to Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996). --

10(y) Amendment No. 2 to Revolving Credit and Term Loan Agreement

21 Subsidiaries of the Registrant

23 Consent of KPMG Peat Marwick LLP

24 Power of Attorney (see "Power of Attorney" in Form 10-K)

27 Financial Data Schedule

Copies of the exhibits filed with this Annual Report on Form 10-K or incorporated by reference herein do not accompany copies hereof for distribution to shareholders of the Company. The Company will furnish a copy of any of such exhibits to any shareholder requesting the same.

401(K) SALARY REDUCTION

NON - STANDARDIZED

ADOPTION AGREEMENT

IRS SERIAL #D359971A

APPROVED APRIL 30, 1992

LINCOLN NATIONAL
LIFE INSURANCE CO.

A PART OF LINCOLN NATIONAL CORPORATION

1300 SOUTH CLINTON STREET FORT WAYNE, IN 46801

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THE LINCOLN NATIONAL LIFE INSURANCE COMPANY
NON-STANDARDIZED

401(K) SALARY REDUCTION PLAN AND TRUST PROTOTYPE PLAN
ADOPTION AGREEMENT
PLAN #007

IRS SERIAL #D359971A DATE APRIL 30, 1992

The Guest Supply, Inc.

(Exact legal name of Employer)

(hereinafter referred to as the Employer), having its principal place of

business in Monmouth Junction N.J.
(City) (State)

hereby adopts the Lincoln National Life Insurance Company Non-Standardized
401(k) Salary Reduction Plan and Trust Prototype Plan, and further appoints as:

Trustee(s), Clifford W. Stanley, Paul T. Xenis, Robert Reese

and Teri E. Unsworth ;

Named Fiduciary*, Same ;

Plan Administrator*, Clifford W. Stanley, Teri E. Unsworth, Paul T. Xenis ; and

And Robert Reese (ID 22-2959476)

Agent for Legal Service of Process*, Same .

* If same as Employer, write 'Same'.

The Employer's Tax Year begins October 1 and ends September 30 .

Employer Telephone Number (609) 514-9696 .

Business Code Number (same as shown on 1120) 7398 .

Date Business Commenced October 1979 .

In connection herewith, the Employer makes the following statements and selections:

This Plan shall be known as Guest Supply, Inc.

401(k) Salary Reduction Plan and Trust which shall be identified by Employer I.D. # 22-2320483

And Plan Serial # 001 (001, 002, etc. - assign sequentially).

The employer maintains, or has maintained, the following qualified plans: (List all plans, including this Plan, ever maintained by the Employer starting with Plan Serial #001.)

Table with columns: Serial #, Type of Plan, In Force, Terminated. Row 1: 001, 401 (k), [X], [_].

This Employer is: Sole Proprietor, Partnership, X Corporation, S Corporation, Professional Corporation, Non Profit Corporation

[X] Yes [] No Is the Employer a member of a Controlled Group of Corporations, a group of businesses under common control, or an Affiliated Service Group as defined below.

In the case of a group of employers which constitutes a Controlled Group of Corporations, or an Affiliated Service Group [as defined in Sections 414(b) and 414(m), respectively, of the Internal Revenue Code], of which constitutes one or more trades or businesses whether or not incorporated which are under common control [as defined in Section 414(c)], all such employers shall be considered a single employer for purposes of determining plan qualifications, minimum participation, benefit accrual, vesting standards, and limitations on benefits and contributions.

Table with columns: Employer Name, Employer I.D.#, Participating Employer, Participation Effective Date. Row 1: Breckenridge-Remy, 34-1184534, [X] Yes [] No, 1-1-94.

If this Plan and Trust is adopted by more than one member of the aggregation group, this Plan

- (a) shall be administered as one plan (i.e., contributions, and forfeitures shall not be separated for each participating Employer).
- (b) shall be administered as a single employer plan for each participating Employer [i.e., contributions shall be made by each Employer only for those Participants employed by such employer and forfeitures shall be used to reduce the contribution made by the applicable Employer -each asset pool shall be considered a separate plan which must independently satisfy Code Section 401(a) (26)].
- (c) N/A

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Any Employee of a participating employer must receive credit for service while employed by any member of the aggregation group (including non-participating employers) for purposes of vesting and eligibility under this Plan from the date such Employer became a member of the aggregation group.

A-1.22 The adoption of this Plan constitutes: (check appropriate statement and provide information)

- (a) The initial adoption of this Plan and Trust by the Employer.
The Effective Date of this Plan is _____

(month/day/year)

- (b) An amendment and restatement, or merger of the following Plan(s) known as Guest Supply, Inc. 401(k)

Plan and Trust and Breckenridge-Remy company Employee

Savings Plan

(name of Plans and Trust)
with the original effective date(s) of
January 1, 1981

(month/day/year)
The effective date of this amendment and restatement is
January 1, 1994

(month/day/year)

I. DEFINITIONS

A-1.38 Hours of Service: Hours of Service shall be determined on the basis of the method selected below. The method selected shall be applied to all Employees. If the elapsed Time Method is selected in A-1.74, Hours of Service as designated below shall be applicable for eligibility purposed only. (Select one)

- (a) On the basis of actual hours for which an Employee is paid or entitled to payment.
- (b) On the basis of days worked. An Employee shall be credited with ten (10) Hours of Service if, under Section 1.38 of the Plan, such Employee would be credited with at least one (1) Hour of Service during such day.
- (c) On the basis of weeks worked. An Employee shall be credited with 45 Hours of Service if, under Section 1.38 of the Plan, such Employee would be credited with at least one (1) Hour of Service during such week.

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- (d) On the basis of semi-monthly payroll periods. An Employee shall be credited with 95 Hours of Service if, under Section 1.38 of the Plan, such Employee would be credited with at least one (1) Hour of Service during such semi-monthly period.

- (e) On the basis of months worked. An Employee shall be credited with 190 Hours of Service if under Section 1.38 of the Plan such Employee would be credited with at least one (1) Hour of Service during such month.

A-1.54 Plan Year: (select one and complete)

- (a) Shall be the consecutive 12 month period for which records for this Plan shall be maintained beginning each January 1

and ending each December 31.

- (b) There shall be a short Plan Year beginning _____ and ending _____. (The Plan must retain its qualified status during this period).

All subsequent Plan Years shall begin each _____ and end each _____.

The previous Plan Year prior to this amendment began _____
And ended each _____.

Adjustments for eligibility and vesting shall be made as required by Section 11.04 if the Plan Year is changed.

- A-1.55 For purposes of establishing Present Value to compute the Top-Heavy Ratio, any benefit (under a Defined Benefit plan) shall be discounted for mortality and interest based on the following: (If the Employer maintains a Defined Benefit plan, this section must be completed.)

Interest Rate _____ % Mortality Table _____

N/A The Employer has no defined Benefit plan.

- A-1.64 Years of Service with a predecessor employer:

Years of Service with Breckenridge, for whom this Employer does not

maintain a predecessor plan shall be considered under the Plan for purposes of: (select as desired)

- (a) Vesting
 (b) Eligibility
 (c) None of the above

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- A-1.71 For purposes of computing the Top-Heavy Ratio, the Valuation Date shall be _ December 31 of each year.

- A-1.73 Vesting Years of Service: Years of Service credited for vesting shall exclude the years checked below subject to Section 11.03: (select as desired)

- (a) Years of Service before the Employee's ____ (Cannot exceed 18) birthday. (If Regular Method is used, the Plan Year in which the Employee attains age 18 shall not be excluded.)
 (b) Years of Service prior _____ to the original Effective Date of this Plan or a predecessor plan.
 (c) Years of Service prior to _____. (Date selected may not be later than the original effective date of this Plan of a predecessor plan.)
 (d) Years of Service during a period for which the Employee declined to contribute to a plan requiring Employee Contributions. In the case of a plan using the elapsed time method, the Service which shall be disregarded is the period with respect to which the mandatory contribution is not made.
 (e) No exclusions.

Note: In general, a predecessor plan is a plan which terminates within the five (5) year period immediately preceding or following the establishment of this Plan.

- A-1.74 Years of Service shall be computed under the following method:
(select one)

- (a) Regular method--based on Hours of Service credited under the method selected in A-1.38.
 (b) Elapsed Time Method--based on total time an Employee is employed without regard to actual hours credited as explained in Section 1.74 of this Plan.

II. ELIGIBILITY

- A-2.01 (a) For purposes of plan coverage and benefits, employees of affiliated employers required to be aggregated with the Employer under section 414(b), (c), (m) or (o) of the Code shall not be treated as Employees of the Employer unless such affiliated employers are identified as Participating Employers on page 2 of

this Adoption Agreement.

For purposes of plan coverage and benefits, the term "Employee"

- (1) shall include
- (2) shall not include
- (3) N/A (Employer has no "leased employees.")

"leased employees" who are required to be considered employees of the Employer under Code Section 414(n) or (o).

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- (b) the following classes of Employees of the Employer shall be eligible to participate in the Plan:

- (1) All Employees
- (2) Hourly paid Employees
- (3) Salaried Employees
- (4) All Employees except Employees included in a unit of Employees covered by a collective bargaining agreement between the Employer and Employee representatives, if retirement benefits were the subject of good faith bargaining and if two percent or less of the Employees of the Employer who are covered pursuant to that agreement are professionals as defined in Section 1.410(b)-9(g) of the Regulations. For this purpose, the term "employee representatives" does not include any organization more than half of whose members are Employees who are owners, officers, or executives of the Employer.
- (5) Other _____

The above classes of Employees

- (6) shall
- (7) shall not

Include Employees who are non-resident aliens [within the meaning of Section 7701(b)(1)(B)] and who receive no earned income [within the meaning of Section 911(d)(2)] from the Employer which constitutes income from sources within the United States [within the meaning of Section 861(a)(3)].

- (c) Minimum age and service requirements: (select one)

- (1) an Employee shall become a Participant on the Entry Date coincident with or next following Age 21 (cannot exceed 21) and the completion of 1 (cannot exceed 1 year) Eligibility Year of Service. MUST HAVE AT LEAST 2 ENTRY DATES, I.E., CANNOT ELECT (e)(1) BELOW. If the Eligibility Year of Service includes a fractional year, an Employee shall not be required to complete any specified number of Hours of Service to receive credit for such fractional year.
- (2) an Employee shall become a Participant on the Entry Date coincident with or next following Age _____ (cannot exceed 20 1/2) and the completion of _____ [Cannot exceed 1/2 year (6 months)] Eligibility Year of Service. USE THIS PROVISION ONLY WHEN (e)(1) (ONE ENTRY DATE) IS ELECTED BELOW.

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- (d) If the Eligibility Year of Service includes a fractional year, an Employee shall not be required to complete any specified number of Hours of Service to receive credit for such fractional year.

The preceding election in A-2.01(C) notwithstanding, Employees who are actively employed on _____ Shall be deemed to have satisfied the

- (1) Age requirement as of the Effective Date.
- (2) Service requirement as of the Effective Date.
- (3) Age and service requirements as of the Effective Date.
- (4) N/A (Age and Service requirements in A-2.01(C) apply to all Employees.)

- (e) Entry date: Shall mean: (select one)

- (1) First day of Plan Year,
- (2) first day of Plan Year and the date 6 months after

- the first day of the Plan Year.
- (3) The first day of Plan Year and the dates which are 3, 6 and 9 months after the first day if the Plan Year. (Not recommended.)
- (4) First day of each month. (Not recommended.)

III. PROFIT SHARING CONTRIBUTIONS AND ALLOCATIONS

A-3.01 Contributions

- (a) The Employer shall contribute [select (1), (2) or (3)]
- (1) out of current or accumulated profits.
- (2) without regard to current or accumulated profits.
- (3) N/A [A-3.01(a) (6) is elected]

The amount of such contribution shall be: [select (4), (5) or (6)]

- (4) As determined by the Board of Directors each year.
- (5) Other -----

(6) The employer will make no contribution under this Section A-3.01(a). [Do not complete Sections A-3.01(b), (d) and (e). Section A-3.01(C) must still be completed.]

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- (b) Allocation of contributions under A-3.01(a), above, shall be made for all Participants who are credited with at least [select (1), (2) or (3)]

- (1) 1,000 Hours of Service
- (2) 500 Hours of Service
- (3) one Hour of Service

During the Plan Year and [select (4) or (5)]

- (4) regardless of employment on the last day of the Plan Year
- (5) who is employed with the Employer on the last day if the Plan Year

The preceding notwithstanding, for Plan Years beginning after December 31, 1989, if the Plan would otherwise fail to satisfy the requirements of Code Sections 401(a)(26) or 410(b) because the Employer contributions have not been allocated to a sufficient number of percentage of Participants for a Plan Year, then the following rules shall apply:

- (6) The group of Participants eligible to share in the Employer's contribution shall be expanded to include all Participants who are employed on the last day of the Plan Year and who are credited with at least 500 Hours of Service.
- (7) If after the application of paragraph (6) above, the applicable test is still not satisfied, then the group of Participants eligible to share in the Employer's contribution shall be further expanded to include all Participants who are credited with at least 500 Hours of Service regardless of employment on the last day of the Plan Year.

Note: Employer includes all employers which are required to be aggregated with the Employer under Code Sections 414(b), (c), (m) or (o).

- (c) If a Participant dies, retires, or becomes disabled during the Plan Year and does not complete the hours requirement for a contribution, an allocation

- (1) shall not be made on such Participant's behalf for such Plan Year
- (2) shall be made on such Participant's behalf for such Plan Year regardless of any last day requirement elected under A-3.01(b) (5).

Note: the above election applies to Profit Sharing Contributions under Section a-3.01(a), Matching Contributions under A-4.02 and Qualified Non-elective Contributions under A-4.03.

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(d) Employer contributions under this Section and forfeitures, if applicable, shall be allocated to Participant's Accounts as follows:

NON-INTEGRATED FORMULA
On a pro-rata basis to all Participant's Compensation bears to the total of all Participant's Compensation.

INTEGRATED FORMULA (INTEGRATED WITH SOCIAL SECURITY)

Note: This plan may not provide for permitted disparity (integration with Social Security) if the Employer maintains any other plan that provides for permitted disparity and benefits any of the same Participants.

STEP ONE: In any Plan Year the Plan is Top-Heavy

contributions and forfeitures (if applicable) shall be allocated to all Participants in the ratio that each Participant's Compensation bears to all Participant's Compensation, but not in excess of 3% of such Compensation. (If the Plan is top-heavy, proceed to step two.)

STEP TWO: Any contributions and forfeitures not

allocated in STEP ONE shall be allocated to each Participant's Account in the ratio that the sum of each Participant's total Compensation plus Compensation in excess of the integration level bears to the sum of all Participants total Compensation plus Compensation in excess of the integration level, but not in excess of the maximum disparity rate.

STEP THREE: Any remaining Employer contributions or

forfeitures shall be allocated to each Participants Account in the ratio that each Participant's total Compensation for the Plan Year bears to all Participant's total Compensation for that year. For the purpose of this Section, compensation shall mean Compensation as defined in Section 1.13 of the Plan.

The integration level shall be:

- (I) The Taxable Wage Base [The maximum amount of earnings which may be considered wages for a year under Section 3121(a)(1) of the Code in effect as of the first day of the Plan Year.]
- (ii) \$ _____ (Must be less than the Taxable Wage Base.)

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The maximum profit sharing disparity rate is equal to the lesser of:

- (a) 5.7%, or
(b) The applicable percentage determined in accordance with the table below:

If the integration level:

Is more than -----	But not more than -----	The applicable percentage is -----
\$0.00	\$X*	5.7%
X*	80% of TWB***	4.3%
80% of TWB***	Y**	5.4%

* X = the greater of \$10,000 or 20% of the TWB

** Y = any amount more than 80% of the TWB but less than 100% of the TWB

*** TWB = Taxable Wage Base at the beginning of the Plan Year. The TWB for 1989 is \$48,000. The TWB for 1990 is \$51,300.

(e) If any Employee who is eligible to participate under this Plan covered by any other plan [including plans of non-participating employers required to be aggregated under Section 414(b), (c), (m) or (o) of the Code] which is integrated with Social Security?

- (1) No
- (2) Yes [may not elect A-3.01(d)(2)]

- A-3.03 (a) Rollover contributions:
- (1) shall not be permitted under this Plan
 - (2) shall be permitted under this Plan
- (b) Rollover contributions shall be accepted from:
- (1) Participants only
 - (2) Participants and non-Participants (otherwise eligible Employees who have not yet satisfied the age and/or service requirements for participation)

A-3.07 ALLOCATION OF EARNINGS shall be based on the Account balance as of the beginning of the allocation period plus 1/2 of the contribution allocated at the end of the allocation period, less all withdrawals, plus investment transfers in, and less investment transfers out, unless otherwise specified.
 This plan will discontinue the above earnings formula and utilize

 Daily Accounting during the 1994 Plan Year and thereafter at a date to

 be determined by the Trustees to facilitate the Participant Directed

 Accounts.

- A-3.08 ALL FORFEITURES occurring at the end of Plan Year: (select one)
- (a) shall be used to reduce the Employer's contribution for the current Plan Year. If the Employer does not make a contribution for a Plan Year, any available forfeitures shall be treated as Employer Contributions.
 - (b) shall be allocated in the same manner as Employer contributions under Section 3.01 for the current Plan Year. However, forfeitures shall not be allocated to Participants who are not employed on the last day of the Plan Year unless such allocation is required to satisfy the requirements of Code Sections 401(a)(26) and/or 410(b). (Do not elect if no Profit Sharing contribution is specified in A-3.01.)

IV. CASH OR DEFERRED ARRANGEMENT (CODA)

- A-4.01 ELECTIVE DEFERRALS
- (a) An eligible Employee may elect to have his or her annual Compensation reduced by
 - (1) from 0 % to 15 %
 ----- -----
 - (2) _____
 (Specify)

Such election shall be in writing and in a form and manner specified by the Plan Administrator.

- (b) A Participant may elect to commence, or to modify the amount of, Elective Deferrals as of:
 - (1) the first day of each Plan Year
 - (2) the first day of each Plan Year and the date 6 months after the first day of each Plan Year
 - (3) the first day of each Plan Year quarter

The Plan administrator may permit an additional election in the event an Actual Deferral Percentage Test, performed during the Plan Year, permits of requires an adjustment in the deferral percentages.

- A-4.02 MATCHING CONTRIBUTIONS
- (a) The Employer [select (1) or (2)]
 - (1) shall
 - (2) shall not

Make Matching Contributions to the Plan on behalf of all Participants who elect to have Elective Deferrals made under

the Plan and who are credited with at least [select (3), (4) or (5)]

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- (3) 1,000 Hours of Service
- (4) 500 Hours of Service
- (5) one Hour of Service

During the Plan Year and [select (6) or (7)]

- (6) regardless of employment on the last day of the Plan Year
- (7) who is employed with the Employer on the last day of the Plan Year

The preceding notwithstanding, for Plan Years beginning after December 31, 1989, if the Plan would otherwise fail to satisfy the requirements of Code Sections 401(a)(26) or 410(b) because the Employer contributions have not been allocated to a sufficient number of percentage of Participants for a Plan Year, then the following shall apply:

- (1) The group of Participants eligible to share in the Employer's contribution shall be expanded to include all Participants who are employed on the last day of the Plan Year and who are credited with at least 500 Hours of Service
- (2) If after the application of paragraph (1) above, the applicable test is still not satisfied, then the group of Participants eligible to share in the Employer's contribution shall be further expanded to include all Participants who are credited with at least 500 Hours of Service regardless if employment on the last day of the Plan Year

Note: Employer includes all employers which are required to be aggregated with the Employer under Code Sections 414(b), (c), (m) or (o).

(b) The Employer shall contribute and allocate to each Participant's Matching Contribution Account:

- (1) an amount equal to 25 percent of the Participant's -----
Elective Deferrals
- (2) a discretionary matching contribution equal to a percentage (to be determined each year by the employer) of each Participant's elective Deferrals

(c) The employer shall not match Elective Deferrals in excess of 10 percent of a Participant's

- (1) compensation per pay period
- (2) annual compensation

(d) (1) \$ _____
 (2) N/A

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(e) Matching Contributions shall be vested in accordance with the following schedule:

- (1) 100% vested at all times
- (2) The vesting schedule as elected in A-11.02 of the adoption Agreement

(f) Matching contributions shall be made

- (1) only from current of accumulated profits
- (2) without regard to current or accumulated profits

A-4.03 (a) Qualified Non-elective Contributions shall be allocated to the accounts of Non-highly Compensated Participants who are credited with at least [select (1), (2) or (3)]

- (1) 1,000 Hours of Service
- (2) 500 Hours of Service
- (3) one Hour of Service

During the Plan Year and [select (4) or (5)]

- (4) regardless of employment on the last day of the Plan Year
- (5) who is employed with the Employer on the last day of the Plan Year

The preceding notwithstanding, for Plan Years beginning after December 31, 1989, if the Plan would otherwise fail to satisfy the requirements of Code Sections 401(a)(26) or 410(b) because the Employer contributions have not been allocated to a sufficient number or percentage of Participants for a Plan Year, then the following shall apply:

- (1) The group of Participants eligible to share in the Employer's contribution shall be expanded to include all Participants who are employed on the last day of the Plan Year and who are credited with at least 500 Hours of Service
- (2) If after the application of paragraph (1) above, the applicable test is still not satisfied, then the group of Participants eligible to share in the Employer's contribution shall be further expanded to include all Participants who are credited with at least 500 Hours of Service regardless of employment on the last day of the Plan Year

Note: employer includes all employers required to be aggregated with the Employer under Code Sections 414(b), (c), (m) or (o).

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A-4.13 Pre-retirement distributions of a Participant's entire Account balance, including balance, including Elective Deferrals and Qualified Contributions, upon attainment of age 59 1/2 (may not be less than 59

1/2)

- (a) shall
- (b) shall not

be permitted provided the Participant is 100% vested, and the balance in the Participant's Account has accumulated for at least two (2) years or the Participant has completed five (5) years of participation in the Plan.

A-4.14 Distributions on account of financial hardship

- (a) shall
- (b) shall not

be permitted to the extent provided in Section 4.14, and subject to applicable regulations.

Distributions on account of financial hardship shall be made only from:

- (c) Elective Deferrals (and any earnings credited to a Participant's Elective Deferral account as of the end of the last Plan Year ending before July 1, 1989.) The amount available for distribution shall include the amount credited to the Participant's Qualified Matching Contribution and Qualified Non-elective Contribution accounts as of the end of the last Plan Year ending before July 1, 1989.
- (d) Account balances which are not subject to the withdrawal restrictions of Section 4.13 provided the Participant is 100% vested, and the funds have accumulated for at least two (2) years or the Participant has completed five (5) years of participation in the Plan.

Note: Hardship withdrawal provisions for funds described in (d) above, are protected benefits under Code Section 411 (d) (6). If the conditions described in Section 4.14 are more restrictive than those in effect immediately prior to the adoption of this Plan, the prior conditions shall continue to apply to all such funds including those which have accrued after the date this Plan is adopted, and the Employer should attach to this Adoption Agreement a hardship withdrawal policy statement fully

V. LIMITATIONS ON ALLOCATIONS

If the Employer maintains or ever maintained another qualified plan in which any Participant in the Plan is (or was) a Participant or could become a Participant, the Employer must complete this Section. The Employer must also complete this Section if it maintains a welfare benefit fund, as defined in Section 419(e) of the Code, or an individual medical account, as defined in Section 415 (2) (2) of the Code, under which amounts are treated as Annual Additions with respect to any Participant in this Plan.

A-5.11 If the Participant is covered under another qualified Defined Contribution plan maintained by the Employer, other than a Master or Prototype plan:

- (a) The provisions Sections 5.05 through 5.10 of Article V shall apply as if the other plan were a Master or Prototype plan. of
- (b) Provide the method under which the plans shall limit total Annual Additions to the Maximum Permissible Amount, and shall properly reduce any excess amounts, in a manner that precludes Employer discretion.

- (c) N/A The Employer maintains no other plan which provides an Annual Addition as defined under Section 5.13 (a).

A-5.12 If the participant is or has ever been a participant in a Defined Benefit plan maintained by the Employer:

- (a) The Annual Additions which may be credited to the Participant's Account under this Plan shall not be limited by other than the Maximum Permissible Amount as defined in Section 5.13(k). If the sum of the Defined Benefit Fraction and the Defined Contribution Fraction would otherwise exceed 1.0, such sum shall be reduced to not exceed 1.0 by adjusting the Participant's Projected Annual Benefit under the Defined Benefit plan.
- (b) Provide language which shall satisfy the 1.0 limitation of Section 415(e) of the Code. Such language must preclude Employer discretion.

- (c) N/A The Employer does not and has never maintained a Defined Benefit plan.

VI. INVESTMENT OF CONTRIBUTIONS

A-6.02 Life Insurance: The Trustee may, at the direction of the Participant and subject to the requirements of Section 6.02, use a portion of each contribution to purchase life insurance.

- (a) Yes, subject to the guidelines outline below, if any.

- (b) No

A-6.03 Participants may direct the Trustee as to the investment of their individual Account balances which are attributable to: (check all which apply)

- (a) Elective Deferrals
- (b) Employer Matching Contributions

- (c) Rollovers
- (d) All contributions regardless of source
- (e) None of the above--Participants may not direct the investment of their accounts.

A-6.05 Participant Loans

- (a) shall be permitted in accordance with the Employer's written loan policy.
- (b) shall not be permitted.

VIII. BENEFITS

A-8.01 Normal Retirement Date: (select one)

- (a) The later of the first day of the month (select one)

- nearest
- on or following

a Participant's 65th (cannot be less than 55) birthday or the first day of the month on or following the N/A (1st-7th or N/A) first anniversary in which (select one)

- participation commenced
- the Employee first performed an Hour of Service

but in no event later than the first day of the month on or following a Participant's N/A birthday.

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- (b) The later of the first day of the Plan nearest a Participant's _____ (cannot be less than 55) birth, or the first day of the Plan Year nearest the _____ (1st-7th or Year N/A) anniversary in which (select one)
- participation commenced
- the Employee first performed an Hour of Service

but in no event later than the first day of the Plan Year nearest a Participant's _____ birthday.

A-8.02 (a) Early Retirement Date: Shall mean: (select one)

- (1) None--no Early Retirement Date
- (2) First day of any [X] month [] Plan Year on or following a Participant's 60th (cannot be less than _____ 55) birthday or after 6 (1-7 or N/A) [X] Vesting Years _____ of Service [] years of participation in the Plan, whichever date is later.

- (b) Early Retirement Benefit: Upon satisfaction of the age and service requirements for Early Retirement, a Participant shall: (select one)

- (1) automatically become 100% vested in the Account.
- (2) be entitled to the vested Account based on the vesting schedule designated in the Adoption Agreement.

A-8.04 Disability Retirement Benefit:

- (a) In the event of total and permanent disability, a Participant shall: (select one)

- (1) automatically become 100% Vested in the Account.
- (2) be entitled to the vested Account based on the vesting schedule designated in the Adoption Agreement.

- (b) Disability shall mean a physical or mental impairment which is expected to result in death or blindness or which can be expected to last for a continuous period of not less than 12 months resulting in: (select one)

- (1) an inability to engage in any substantial gainful activity for which the Participant is reasonably suited by reason of training, education and experience as determined by the Plan Administrator. The Plan Administrator may require that the Participant be

examined by physician(s) selected by the Plan Administrator.

- (2) The participant being entitled to Social Security Disability Benefits. In the event a Participant has applied for Social Security Disability Benefits, the disability benefits provided by this Plan shall commence upon qualifying for Social Security Disability Benefits.

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<TABLE>			
<S>	<C>	<C>	<C>
	<input checked="" type="checkbox"/>	(3)	an inability to perform the normal duties for the Employer as determined by the Plan Administrator. The Plan Administrator may require that the Participant be examined by physician(s) selected by the Plan Administrator.

A-8.09 Benefits shall be distributed:

	<input type="checkbox"/>	(a)	only in the form of a single lump-sum payment. (May not elect if other forms were available immediately preceding the adoption of this Plan.)
	<input checked="" type="checkbox"/>	(b)	in accordance with the provisions of Section 8.08.

</TABLE>

XI. TERMINATION OF SERVICE

A-11.02 The vesting schedule for benefits (derived from the Employer's contributions pursuant to Article III) upon termination of employment shall be determined according to the selection based on Vesting Years of Service as credited in accordance with A-1.73: (select one)

<TABLE>			
<S>	<C>	<C>	<C>
	<input type="checkbox"/>	(a)	100% vested at all times
	<input type="checkbox"/>	(b)	100% vested after _____ (not to exceed 5) years of service.
	<input checked="" type="checkbox"/>	(c)	20% vested after 2 years of service 40% vested after 3 years of service 60% vested after 4 years of service 80% vested after 5 years of service 100% vested after 6 years of service
	<input type="checkbox"/>	(d)	20% vested after 3 years of service 40% vested after 4 years of service 60% vested after 5 years of service 80% vested after 6 years of service 100% vested after 7 years of service
	<input type="checkbox"/>	(e)	Specify: (Must in all years be as favorable as the schedule in (b) above, or as favorable as the schedule in (d) above.) _____% vested after ____ years of service _____% vested after ____ years of service _____% vested after ____ years of service
			NOTE: If this is a restated plan and the vesting schedule has been amended, enter the pre-amended schedule below:
			Prior to merger
	<input checked="" type="checkbox"/>	(f)	100% vested after 3 years of service ----
			1-1-94 for Breckenridge
			_____ vested after ____ years of service _____ vested after ____ years of service
	<input checked="" type="checkbox"/>	(g)	Vesting schedule has not been amended.

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A-11.05 Distributions upon termination of Service shall be made as soon as administratively feasible following:

<TABLE>			
<S>	<C>	<C>	<C>
	<input checked="" type="checkbox"/>	(a)	Termination of employment
	<input type="checkbox"/>	(b)	The end of the Plan Year following termination of employment.
	<input type="checkbox"/>	(c)	The end of the Plan Year during which a One-Year Break in Service occurs.
	<input type="checkbox"/>	(d)	Early or Normal Retirement Date, Death, or Disability.
	Note:		May not be more restrictive than the provision in effect immediately

preceding the adoption of this Plan.

A-11.09 Benefits which are no longer immediately distributable

- (a) shall not be distributed without the consent of the Participant and/or Beneficiary prior to the time required by Article X.
 - (b) shall, subject to the requirements of Article IX, be distributed as soon as administratively feasible following the date on which they cease to be immediately distributable.
- Note: An Account balance is immediately distributable if any part of the Account balance could be distributed to the Participant (or Surviving Spouse) before the Participant attains (or would have attained if not deceased) the later of Normal Retirement Age or age 62.

XV. TOP-HEAVY

</TABLE>

Before completing this Section of the Adoption Agreement, the Employer should carefully read Article XV of the Basic Plan Document paying particular attention to Sections 15.03 thru 15.05.

<TABLE>

<S>

A-15.02

<C>
Minimum Top-heavy Allocations: The purpose of this Section A-15.02 is to coordinate Top-Heavy minimum contributions or benefits when two or more plans of the Employer are involved. If the Employer maintains only this plan, and has never maintained a Defined Benefit plan, the Employer is required to complete only Section (d). If the Employer maintains (or has maintained) a Defined Benefit plan, this Section should be completed only with the advice of that plan's actuary. If the Employer maintains two Defined Contribution plans, and has never maintained a defined Benefit plan, the Employer is required to complete only Sections (C) or (d).

- (a) If the Employer maintains a Defined Benefit plan, this Section or Section (d) below must be completed.

If a non-key Employee participates in both a Defined Benefit plan and a Defined Contribution plan which are part of a Required Aggregation Group or a Permissive Aggregation Group and the Top-Heavy Ratio exceeds 60% (but does not exceed 90%), Top-Heavy minimum benefits shall be provided as follows:

</TABLE>

20

<TABLE>

<S>

<C>	<C>	<C>		
<input type="checkbox"/>	(1)		In the Defined Contribution Plan, with a minimum allocation of:	
	<input type="checkbox"/>	(I)	5%	of total compensation (Defined Benefit and Defined Contribution Fractions computed using 100% of the dollar limitation)
	<input type="checkbox"/>	(ii)	7.5%	of total compensation (Defined Benefit and Defined Contribution Fractions computed using 125% of the dollar limitation)
<input type="checkbox"/>	(2)		In the Defined Benefit Plan, with a minimum annual accrual of:	
	<input type="checkbox"/>	(I)	2%	of the highest 5 consecutive year average compensation (Defined Benefit and Defined Contribution fractions computed using 100% of the dollar limitation)
	<input type="checkbox"/>	(ii)	3%	of the highest 5 consecutive year average compensation (Defined Benefit and Defined Contribution fractions computed using 125% of the dollar limitation)

If the Top-Heavy Ratio exceeds 90%, the minimum benefit shall be provided in:

- (3) the Defined Contribution plan with a minimum allocation of 5% of total compensation
- (4) the Defined Benefit plan with a minimum accrual of 2% of the highest 5 consecutive year average compensation

Note: When the Top-Heavy Ratio exceeds 90%, the Defined Benefit and Defined Contribution Fractions shall be computed using 100% of dollar limitation.

- (b) If the Employer maintains (or has maintained) a Defined Benefit plan, this Section or Section (d) below must be completed.

If the Employer maintains both a Defined Benefit plan and a Defined Contribution plan which are part of a Required Aggregation Group or a Permissive Aggregation Group and the Top-Heavy Ratio exceeds 60% (but does not exceed 90%), a non-key employee who participates only in the Defined Contribution plan shall receive a minimum allocation of:

- (1) 3% of total compensation (Defined Benefit and Defined Contribution Fractions computed using 100% of the dollar limitation)
- (2) 4% of total compensation (Defined Benefit and Defined Contribution Fractions computed using 125% of the dollar limitation)

If the Top-Heavy Ratio exceeds 90% each non-key Employee who participates only in the Defined Contribution plan shall receive a minimum allocation of 3% of total compensation.

<TABLE>

<S> <C> <C>
 (c) If the Employer maintains two Defined Contribution plans, this Section or Section (d) below must be completed.

If a non-key Employee participates in two Defined Contribution plans maintained by the Employer, the Defined Contribution minimum allocation requirement shall be met

- (1) in this plan
- (2) in the other plan _____
 (Name of Plan)

(d) Complete this Section only if (a), (b) and/or (C) have not been completed.

(1) Specify how the plans shall provide Top-Heavy minimum benefits for non-key Employees precluding Employer discretion and avoiding inadvertent omissions.

(2) The Employer maintains only this Plan and has never maintained a Defined Benefit Plan.

A-15.06

TOP HEAVY VESTING... If this Plan becomes a Top-Heavy Plan, the following vesting schedule for such Plan and each succeeding Plan Year, whether or not Top-Heavy, shall be effective and shall be treated as a Plan amendment pursuant to this Agreement.

- (a) 100% vested after _____ (Not to exceed 3) years of service
- (b) 20% vested after 2 years of service
 40% vested after 3 years of service
 60% vested after 4 years of service
 80% vested after 5 years of service
 100% vested after 6 years of service
- (c) Specify: (Must in all years be as favorable as the schedule in (a) above, or as favorable as the schedule in (b) above.)
 _____% vested after _____ years of service
 _____% vested after _____ years of service
 _____% vested after _____ years of service
 _____% vested after _____ years of service
 _____% vested after _____ years of service
- (d) N/A, Vesting schedule in A-11.02 is equal to or more favorable than (a) or (b) above.

However, this Section does not apply to the Account balances of any Participant who does not have an Hour of Service after the Plan has initially become Top-Heavy. Such Participant's Account balance attributable to Employer contributions and forfeitures shall be determined without regard to this Section .

</TABLE>

The adopting Employer may not rely on an Opinion Letter issued by the National Office of the Internal Revenue Service as evidence that the Plan is qualified under Section 401 of the Internal Revenue Code. In order to obtain reliance with respect to plan qualification, the Employer must apply to the appropriate key district office for a Determination Letter.

This adoption agreement may be used only in conjunction with basic plan document #01.

Provided the adoption of this Plan is properly registered with the Prototype Sponsor, the Prototype Sponsor shall inform the adopting Employer of any amendments made to the Plan or of the discontinuance unless the attached registration form along with the applicable registration fee is returned to:

Lincoln National Life Insurance Company
 1300 South Clinton Street
 P.O. Box #2248
 Ft. Wayne, IN 46801-2248

Inquiries by adopting Employers regarding the adoption of this Plan, the intended meaning of any Plan provisions, or the effect of the Opinion Letter may be directed to the Prototype Sponsor at the above address or phone (219) 455-4940.

Pursuant to the authority reserved by Section 12.01 of Article XII of The Lincoln National Life Insurance Company Defined Contribution Prototype (Plan Basic Plan #01 (the "Prototype Plan"), the Prototype Plan (and each individual Plan maintained in the form of the Prototype Plan) is hereby amended, effective January 1, 1993, as follows:

Article XII is amended by the addition of the following paragraph.

"12.08 This Article applies to distributions made on or after January 1, 1993. Notwithstanding any provision of the Plan contrary Distributee's election under this Article, a that would otherwise limit a Distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a Direct Rollover.

DEFINITIONS:

- (a) Eligible Rollover Distribution: An eligible Rollover Distribution is any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee of the joint lives (or joint life expectancies) of the Distributee and the Distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; and the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities).
- (b) Eligible Retirement Plan: An Eligible Retirement Plan is an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, an annuity plan described in section 403(a) of the Code, or a qualified trust described in section 401(a) of the Code, that accepts the Distributee's Eligible Rollover distribution. However, in the case of

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of an Eligible Rollover distribution to the surviving spouse, an Eligible Retirement Plan is an individual retirement account or individual retirement annuity.

- (c) Distributee: A Distributee includes an Employee or former Employee. In addition, the Employee's or former Employee's Surviving Spouse and the Employee's or former Employee's Spouse or former Spouse who is the alternate payee under a qualified domestic relations order, as defined in section 414(p) of the Code, are Distributees with regard to the interest of the Spouse or former Spouse.
- (d) Direct Rollover: A Direct Rollover is a payment by the plan to the Eligible Retirement plan specified by the Distributee."

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GUEST SUPPLY, INC.
1996 LONG TERM INCENTIVE PLAN

SECTION 1. Purpose. The purposes of this Guest Supply, Inc. 1996 Long Term Incentive Plan (the "Plan") are to encourage selected employees, officers, directors and consultants of, and other individuals providing services to, Guest Supply, Inc. (together with any successor thereto, the "Company") and its Affiliates (as defined below) to acquire a proprietary interest in the growth and performance of the Company, to generate an increased incentive to contribute to the Company's future success and prosperity thus enhancing the value of the Company for the benefit of its shareholders, and to enhance the ability of the Company and its Affiliates to attract and retain exceptionally qualified individuals upon whom, in large measure, the sustained progress, growth and profitability of the Company depend.

SECTION 2. Definitions. As used in the Plan, the following terms shall have the meanings set forth below:

"Affiliate" shall mean (i) any entity that, directly or through one or more intermediaries, is controlled by the Company and (ii) any entity in which the Company has a significant equity interest, as determined by the Committee.

"Award" shall mean any Option, Stock Appreciation Right, Restricted Security, Performance Award, or Other Stock-Based Award granted under the Plan.

"Award Agreement" shall mean any written agreement, contract or other instrument or document evidencing any Award granted under the Plan.

"Board" shall mean the Board of Directors of the Company.

"Cause", as used in connection with the termination of a Participant's employment, shall mean (i) with respect to any Participant employed under a written employment agreement with the Company or an Affiliate of the Company which agreement includes a definition of "cause," "cause" as defined in such agreement or, if such agreement contains no such definition, a material breach by the Participant of such agreement, or (ii) with respect to any other Participant, the failure to perform adequately in carrying out such Participant's employment responsibilities, including any directives from the Board, or engaging in such behavior in his personal or business life as to lead the Committee in its reasonable judgment to determine that it is in the best interests of the Company to terminate his employment.

"Common Stock" shall mean the common stock of the Company, without par value.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder.

"Committee" shall mean the Stock Option Committee or any other committee of the Board designated by the Board to administer the Plan and composed of not less than three outside directors, as described in Section 162(m) of the Code, each of whom, to the extent necessary to comply with Rule 16b-3 only, is a "disinterested person" within the meaning of Rule 16b-3 as in effect at April 30, 1991.

"Common Shares" shall mean any or all, as applicable, of the Common Stock and such other securities or property as may become the subject of Awards, or become subject to Awards,

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pursuant to an adjustment made under Section 4(b) of the Plan and any other securities of the Company or any Affiliate or any successor that may be so designated by the Committee.

"Employee" shall mean any employee of the Company or of any Affiliate.

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

"Fair Market Value" shall mean (A) with respect to any property other than the Common Shares, the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee; and (B) with respect to the Common Shares, the last sale price regular way on the date of reference, or, in case no sale takes place on such date, the average of the high bid and low asked prices, in either case on the principal national securities exchange on which the Common Shares are listed or admitted to trading, or if the Common Shares are not listed or admitted to trading on any national securities exchange, the last sale price reported on the National Market System of the National Association of Securities Dealers Automated Quotation System ("NASDAQ") on such date, or the average of the closing high bid and low asked prices in the over-the-counter market reported on NASDAQ on such date, whichever is applicable, or if there are no such prices reported on NASDAQ on such date, as furnished to the Committee by any New York Stock Exchange member selected from time to time by the Committee for such purpose. If there is no bid or asked price reported on any such date, the Fair Market Value shall be determined by the Committee in accordance with the regulations promulgated under Section 2031 of the Code, or by any other appropriate method selected by the Committee.

"Good Reason", as used in connection with the termination of a Participant's employment, shall mean (i) with respect to any Participant employed under a written employment agreement with the Company or an Affiliate of the Company, "good reason" as defined in such written agreement or, if such

agreement contains no such definition, a material breach by the Company of such agreement, or (ii) with respect to any other Participant, a failure by the Company to pay such Participant any amount otherwise vested and due and a continuation of such failure for 30 business days following notice to the Company thereof.

"Incentive Stock Option" shall mean an option granted under Section 6(a) of the Plan that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

"Non-Qualified Stock Option" shall mean an option granted under Section 6(a) of the Plan that is not intended to be an Incentive Stock Option. Any stock option granted by the Committee which is not designated an Incentive Stock Option shall be deemed a Non-Qualified Stock Option.

"Option" shall mean an Incentive Stock Option or a Non-Qualified Stock Option.

"Other Stock-Based Award" shall mean any right granted under Section 6(e) of the Plan.

"Participant" shall mean any individual granted an Award under the Plan.

"Performance Award" shall mean any right granted under Section 6(d) of the Plan.

"Person" shall mean any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, or government or political subdivision thereof.

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"Released Securities" shall mean securities that were Restricted Securities but with respect to which all applicable restrictions have expired, lapsed or been waived in accordance with the terms of the Plan or the applicable Award Agreement.

"Restricted Securities" shall mean any Common Shares granted under Section 6(c) of the Plan, any right granted under Section 6(c) of the Plan that is denominated in Common Shares or any other Award under which issued and outstanding Common Shares are held subject to certain restrictions.

"Rule 16b-3" shall mean Rule 16b-3 promulgated by the Securities and Exchange Commission under the Exchange Act, or any successor rule or regulation thereto as in effect from time to time.

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

"Stock Appreciation Right" shall mean any right granted under Section

SECTION 3. Administration. The Plan shall be administered by the Committee. Subject to the terms of the Plan and applicable law, and in addition to other express powers and authorizations conferred on the Committee by the Plan, the Committee shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to an eligible Employee or other individual under the Plan; (iii) determine the number and classification of Common Shares to be covered by (or with respect to which payments, rights or other matters are to be calculated in connection with) Awards; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Common Shares, other securities, other Awards or other property, or canceled, forfeited or suspended, and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended; (vi) determine requirements for the vesting of Awards or performance criteria to be achieved in order for Awards to vest; (vii) determine whether, to what extent and under what circumstances cash, Common Shares, other securities, other Awards, other property and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or of the Committee; (viii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (ix) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (x) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon all Persons, including the Company, any Affiliate, any Participant, any holder or beneficiary of any Award, any shareholder and any Employee. Notwithstanding the foregoing, the maximum number of Awards which may be granted to any one Participant under this Plan in any two-year period shall not exceed 100,000 Common Shares, subject to the adjustments provided in Section 4(b) hereof and no Awards under this Plan shall be granted after December 31, 2005.

SECTION 4. Common Shares Available for Awards.

(a) Common Shares Available. Subject to adjustment as provided in Section 4(b):

(i) Calculation of Number of Common Shares Available. The number of Common Shares available for granting Awards under the Plan shall be 400,000, any or all of which may be or may be based on Common Stock, any other security which becomes the subject of Awards, or any combination thereof. Initially 400,000 shares of Common Stock shall be reserved for Awards hereunder. Further, if, after the effective date of the Plan, any

Common Shares covered by an Award granted under the Plan or to which such an Award relates, are forfeited, or if an Award otherwise terminates or is canceled without the delivery of Shares or of other consideration, then the Common Shares covered by such Award or to which such Award relates, or the number of Common Shares otherwise counted against the aggregate number of Common Shares available under the Plan with respect to such Award, to the extent of any such forfeiture, termination or cancellation, shall again be, or shall become, available for granting Awards under the Plan.

(ii) Accounting for Awards. For purposes of this Section 4,

(A) if an Award is denominated in or based upon Common Shares, the number of Common Shares covered by such Award or to which such Award relates shall be counted on the date of grant of such Award against the aggregate number of Common Shares available for granting Awards under the Plan and against the maximum number of Awards available to any Participant; and

(B) Awards not denominated in Common Shares may be counted against the aggregate number of Common Shares available for granting Awards under the Plan and against the maximum number of Awards available to any participant in such amount and at such time as the Committee shall determine under procedures adopted by the Committee consistent with the purposes of the Plan;

provided, however, that Awards that operate in tandem with (whether granted simultaneously with or at a different time from), or that are substituted for, other Awards may be counted or not counted under procedures adopted by the Committee in order to avoid double counting. Any Common Shares that are delivered by the Company, and any Awards that are granted by, or become obligations of, the Company, through the assumption by the Company or an Affiliate of, or in substitution for, outstanding awards previously granted by an acquired company shall, in the case of Awards granted to Participants who are officers or directors of the Company for purposes of Section 16 of the Exchange Act, be counted against the Common Shares available for granting Awards under the Plan.

(iii) Sources of Common Shares Deliverable Under Awards. Any Common Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Common Shares or of treasury Common Shares.

(b) Adjustments. In the event that the Committee shall determine that any dividend or other distribution (whether in the form of cash, Common Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Common Shares or other securities of the

Company, issuance of warrants or other rights to purchase Common Shares or other securities of the Company, or other similar corporate transaction or event affects the Common Shares such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and kind of Common Shares (or other securities or property) which thereafter may be made the subject of Awards, (ii) the number and kind of Common Shares (or other securities or property) subject to outstanding Awards, and (iii) the grant or exercise price with respect to any Award or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award; provided, however, that the number of Common Shares subject to any Award denominated in Common Shares shall always be a whole number.

In connection with any merger or consolidation in which the Company is not the surviving corporation and which results in the holders of the outstanding voting securities of the Company (determined immediately prior to such merger or consolidation) owning less than a majority of the outstanding voting securities of the surviving corporation (determined immediately following such merger or consolidation), or any sale or transfer by the Company of all or substantially all its assets or any tender offer or exchange offer for or the acquisition, directly or indirectly, by any person or group of all or a majority of the then outstanding voting securities of the Company, all outstanding Options under the Plan shall become exercisable in full, notwithstanding any other provision of the Plan or of any outstanding Options granted thereunder, on and after (i) the fifteenth day prior to the effective date of such merger, consolidation, sale, transfer or acquisition or (ii) the date of commencement of such tender offer or exchange offer, as the case may be. The provisions of the foregoing sentence shall apply to any outstanding Options which are Incentive Stock Options to the extent permitted by Section 422(d) of the Code and such outstanding Options in excess thereof shall, immediately upon the occurrence of the event described in clause (i) or (ii) of the foregoing sentence, be treated for all purposes of the Plan as Non-Qualified Stock Options and shall be immediately exercisable as such as provided in the foregoing sentence.

SECTION 5. Eligibility. Any Employee, including any officer or employee-director of the Company or of any Affiliate, and any consultant of, or other individual providing services to, the Company or any Affiliate shall be eligible to be designated a Participant. A non-employee director shall be eligible to receive Non-Qualified Stock Options under the Plan.

SECTION 6. Awards.

(a) Options. The Committee is hereby authorized to grant to eligible individuals options to purchase Common Shares (each, an "Option") which shall contain the following terms and conditions and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine:

(i) Exercise Price. The purchase price per Common Share purchasable under an Option shall be determined by the Committee; provided,

however, that such purchase price shall not be less than one hundred percent (100%) of the Fair Market Value of a Common Share on the date of grant of such Option, or such other price as required under Subsection 6(a)(iv) hereof.

(ii) Time and Method of Exercise. Subject to the terms of Section 6(a)(iii), the Committee shall determine the time or times at which an Option may be exercised in whole or in part, and the method or methods by which, and the form or forms (including,

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without limitation, cash, Common Shares, outstanding Awards, or other property, or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price) in which, payment of the exercise price with respect thereto may be made or deemed to have been made.

(iii) Exercisability Upon Death, Retirement and Termination of Employment. Subject to the condition that no Option may be exercised in whole or in part after the expiration of the Option period specified in the applicable Award Agreement:

(A) Subject to the terms of paragraph (D) below, upon the death of a Participant while employed or within 3 months of retirement or disability as defined in paragraph (B) below, the Person or Persons to whom such Participant's rights with respect to any Option held by such Participant are transferred by will or the laws of descent and distribution may, prior to the expiration of the earlier of: (1) the outside exercise date determined by the Committee at the time of granting the Option, or (2) nine months after such Participant's death, purchase any or all of the Common Shares with respect to which such Participant was entitled to exercise such Option immediately prior to such Participant's death, and any Options not so exercisable will lapse on the date of such Participant's death;

(B) Subject to the terms of paragraph (D) below, upon termination of a Participant's employment with the Company (x) as a result of retirement pursuant to a retirement plan of the Company or an Affiliate or disability (as determined by the Committee) of such Participant, (y) by the Company other than for Cause, or (z) by the Participant with Good Reason, such Participant may, prior to the expiration of the earlier of: (1) the outside exercise date determined by the Committee at the time of granting the Option, or (2) three months after the date of such termination, purchase any or all of the Common Shares with respect to which such Participant was entitled to exercise any Options immediately prior to such termination, and any Options not so exercisable will lapse on such date of termination;

(C) Subject to the terms of paragraph (D) below, upon

termination of a Participant's employment with the Company under any circumstances not described in paragraphs (A) or (B) above, such Participant's Options shall be canceled to the extent not theretofore exercised;

(D) Upon (i) the death of the Participant, or (ii) termination of the Participant's employment with the Company (x) by the Company other than for Cause (y) by the Participant with Good Reason or (z) as a result of retirement or disability as defined in paragraph (B) above, the Company shall have the right to cancel all of the Options such Participant was entitled to exercise at the time of such death or termination (subject to the terms of paragraphs (A) or (B) above) for a payment in cash equal to the excess, if any, of the Fair Market Value of one Common Share on the date of death or termination over the exercise price of such Option for one Common Share times the number of Common Shares subject to the Option and exercisable at the time of such death or termination; and

(E) Upon expiration of the respective periods set forth in each of paragraphs (A) through (C) above, the Options of a Participant who has died or whose

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employment has been terminated shall be canceled to the extent not theretofore canceled or exercised.

(F) For purposes of paragraphs (A) through (D) above, the period of service of an individual as a director or consultant of the Company or an Affiliate shall be deemed the period of employment.

(iv) Incentive Stock Options. The following provisions shall apply only to Incentive Stock Options granted under the Plan:

(A) No Incentive Stock Option shall be granted to any eligible Employee who, at the time such Option is granted, owns securities possessing more than ten percent (10%) of the total combined voting power of all classes of securities of the Company or of any Affiliate, except that such an Option may be granted to such an Employee if at the time the Option is granted the option price is at least one hundred ten percent (110%) of the Fair Market Value of the Common Shares (determined in accordance with Section 2) subject to the Option, and the Option by its terms is not exercisable after the expiration of five (5) years from the date the Option is granted; and

(B) To the extent that the aggregate Fair Market Value of the Common Shares with respect to which Incentive Stock Options (without regard to this subsection) are exercisable for the first time by any individual during any calendar year (under all plans of the Company and its Affiliates) exceeds \$100,000, such Options shall be treated as

Non-Qualified Stock Options. This subsection shall be applied by taking Options into account in the order in which they were granted. If some but not all Options granted on any one day are subject to this subsection, then such Options shall be apportioned between Incentive Stock Option and Non-Qualified Stock Option treatment in such manner as the Committee shall determine. For purposes of this subsection, the Fair Market Value of any Common Shares shall be determined, in accordance with Section 2, as of the date the Option with respect to such Common Shares is granted.

(v) Terms and Conditions of Options Granted to Directors.

Notwithstanding any provision contained in the Plan to the contrary, during any period when any member of the Committee shall not be a "disinterested person" as defined in Rule 16b-3, as such Rule was in effect at April 30, 1991, then, the terms and conditions of Options granted under the Plan to any director of the Company during such period shall be as follows:

(A) The price at which each Common Share subject to an option may be purchased shall, subject to any adjustments which may be made pursuant to Section 4, in no event be less than the Fair Market Value of a Common Share on the date of grant, and provided further that in the event the option is intended to be an Incentive Stock Option and the optionee owns on the date of grant securities possessing more than ten percent (10%) of the total combined voting power of all classes of securities of the Company or of any Affiliate, the price per share shall not be less than one hundred ten percent (110%) of the Fair Market Value per Common Share on the date of grant.

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(B) The Option may be exercised to purchase Common Shares covered by the Option not sooner than six (6) months following the date of grant. The Option shall terminate and no Common Shares may be purchased thereunder more than ten (10) years after the date of grant, provided that if the Option is intended to be an Incentive Stock Option and the Optionee owns on the date of grant securities possessing more than ten percent (10%) of the total combined voting power of all classes of securities of the Company or of any Affiliate, the Option shall terminate and no Common Shares may be purchased thereunder more than five (5) years after the date of grant.

(C) The maximum number of Common Shares which may be subject to options granted to all directors pursuant to this Section 6(a)(v) shall be 300,000 shares in the aggregate. The maximum number of Common Shares which may be subject to options granted to any director of the Company who is an Employee shall be 100,000 shares and the maximum number of Common Shares which may be subject to options granted to any director of the Company who is not an Employee shall be 20,000 shares.

(b) Stock Appreciation Rights. The Committee is hereby authorized

to grant to eligible Employees "Stock Appreciation Rights." Each Stock Appreciation Right shall consist of a right to receive the excess of (i) the Fair Market Value of one Common Share on the date of exercise or, if the Committee shall so determine in the case of any such right other than one related to any Incentive Stock Option, at any time during a specified period before or after the date of exercise over (ii) the grant price of the right as specified by the Committee, which shall not be less than one hundred percent (100%) of the Fair Market Value of one Common Share on the date of grant of the Stock Appreciation Right (or, if the Committee so determines, in the case of any Stock Appreciation Right retroactively granted in tandem with or in substitution for another Award, on the date of grant of such other Award). Subject to the terms of the Plan and any applicable Award Agreement, the grant price, term, methods of exercise, methods of settlement, and any other terms and conditions of any Stock Appreciation Right granted under the Plan shall be as determined by the Committee. The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it may deem appropriate.

(c) Restricted Securities.

(i) Issuance. The Committee is hereby authorized to grant to eligible Employees "Restricted Securities" which shall consist of the right to receive, by purchase or otherwise, Common Shares which are subject to such restrictions as the Committee may impose (including, without limitation, any limitation on the right to vote such Common Shares or the right to receive any dividend or other right or property), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise, as the Committee may deem appropriate.

(ii) Registration. Restricted Securities granted under the Plan may be evidenced in such manner as the Committee may deem appropriate, including, without limitation, book-entry registration or issuance of a stock certificates or certificates. In the event any stock certificate is issued in respect of Restricted Securities granted under the Plan, such certificate shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Securities.

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(iii) Forfeiture. Except as otherwise determined by the Committee, upon termination of a Participant's employment for any reason during the applicable restriction period, all of such Participant's Restricted Securities which had not become Released Securities by the date of termination of employment shall be forfeited and reacquired by the Company; provided, however, that the Committee may, when it finds that a waiver would be in the best interests of the Company, waive in whole or in part any or all remaining restrictions with respect to such Participant's Restricted Securities. Unrestricted Common Shares, evidenced in such manner as the Committee shall deem appropriate, shall be issued to the holder of Restricted Securities promptly after such Restricted Securities become

(d) Performance Awards. The Committee is hereby authorized to grant to eligible Employees "Performance Awards." Each Performance Award shall consist of a right, (i) denominated or payable in cash, Common Shares, other securities or other property (including, without limitation, Restricted Securities), and (ii) which shall confer on the holder thereof rights valued as determined by the Committee and payable to, or exercisable by, the holder of the Performance Award, in whole or in part, upon the achievement of such performance goals during such performance periods as the Committee shall establish. Subject to the terms of the Plan and any applicable Award Agreement, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award granted, the termination of a Participant's employment and the amount of any payment or transfer to be made pursuant to any Performance Award shall be determined by the Committee and by the other terms and conditions of any Performance Award. The Committee shall issue performance goals prior to the commencement of the performance period to which such performance goals pertain.

(e) Other Stock-Based Awards. The Committee is hereby authorized to grant to eligible Employees "Other Stock-Based Awards." Each Other Stock-Based Award shall consist of a right (i) which is other than an Award or right described in Section 6(a), (b), (c) or (d) above and (ii) which is denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Common Shares (including, without limitation, securities convertible into Common Shares) as are deemed by the Committee to be consistent with the purposes of the Plan; provided, however, that such right shall comply, to the extent deemed desirable by the Committee, with Rule 16b-3 and applicable law. Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine the terms and conditions of Other Stock-Based Awards. Common Shares or other securities delivered pursuant to a purchase right granted under this Section 6(e) shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms, including, without limitation, cash, Common Shares, other securities, other Awards, other property, or any combination thereof, as the Committee shall determine.

(f) General.

(i) No Cash Consideration for Awards. Awards may be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.

(ii) Awards May Be Granted Separately or Together. Awards may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution for any other Award, except that in no event shall an Incentive Stock Option be granted together with a Non-Qualified Stock Option in such a manner that the exercise of one Option affects the right to exercise the other. Awards granted in addition to or in tandem with

other Awards may be granted either at the same time as or at a different time from the grant of such other awards.

(iii) Forms of Payment Under Awards. Subject to the terms of the Plan and of any applicable Award Agreement, payments or transfers to be made by the Company or an Affiliate upon the grant, exercise or payment of an Award may be made in such form or forms as the Committee shall determine, including, without limitation, cash, Common Shares, other securities, other Awards, or other property, or any combination thereof, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments. In accordance with the above, the Committee may elect (i) to pay a Participant (or such Participant's permitted transferee) upon the exercise of an Option in whole or in part, in lieu of the exercise thereof and the delivery of Common Shares thereunder, an amount of cash equal to the excess, if any, of the Fair Market Value of one Common Share on the date of such exercise over the exercise price of such Option for one Common Share times the number of Common Shares subject to the Option or portion thereof so exercised or (ii) to settle other stock denominated Awards in cash.

(iv) Limits on Transfer of Awards.

(A) No award (other than Released Securities), and no right under any such Award, may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant otherwise than by will or by the laws of descent and distribution (or, in the case of Restricted Securities, to the Company) and any such purported assignment, alienation, pledge, attachment, sale or other transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate.

(B) Each award, and each right under any Award, shall be exercisable, during the Participant's lifetime only by the Participant or if permissible under applicable law, by the Participant's guardian or legal representative.

(v) Terms of Awards. The term of each Award shall be for such period as may be determined by the Committee; provided, however, that in no event shall the term of any Option exceed a period of ten years from the date of its grant.

(vi) Rule 16b-3 Six-Month Limitations. To the extent required in order to maintain the exemption provided under Rule 16b-3 only, any equity security offered pursuant to the Plan must be held for at least six months after the date of grant, and with respect to any derivative security

issued pursuant to the Plan, at least six months must elapse from the date of acquisition of such derivative security to the date of disposition of the derivative security (other than upon exercise or conversion) or its underlying equity security. Terms used in the preceding sentence shall, for the purposes of such sentence only, have the meanings, if any, assigned or attributed to them under Rule 16b-3.

(vii) Common Share Certificates. All certificates for Common Shares delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Common Shares are then listed, and any applicable

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Federal or state securities laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(viii) Delivery of Common Shares or Other Securities and Payment by Participant of Consideration. No Common Shares or other securities shall be delivered pursuant to any Award until payment in full of any amount required to be paid pursuant to the Plan or the applicable Award Agreement is received by the Company. Such payment may be made by such method or methods and in such form or forms as the Committee shall determine, including, without limitation, cash, Common Shares, other securities, other Awards or other property, or any combination thereof; provided that the combined value, as determined by the Committee, of all cash and cash equivalents and the Fair Market Value of any such Common Shares or other property so tendered to the Company, as of the date of such tender, is at least equal to the full amount required to be paid pursuant to the Plan or the applicable Award Agreement to the Company.

SECTION 7. Amendments; Adjustments and Termination. Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award Agreement or in the Plan:

(a) Amendments to the Plan. The Board may amend, alter, suspend, discontinue, or terminate the Plan without the consent of any shareholder, Participant, other holder or beneficiary of an Award, or other Person; provided, however, that, subject to the Company's rights to adjust Awards under Sections 7(c) and (d), any amendment, alteration, suspension, discontinuation, or termination that would impair the rights of any Participant, or any other holder or beneficiary of any Award theretofore granted, shall not to that extent be effective without the consent of such Participant, other holder or beneficiary of an Award, as the case may be; and provided further, however, that notwithstanding any other provision of the Plan or any Award Agreement, without the approval of the shareholders of the Company no such amendment, alteration,

suspension, discontinuation, or termination shall be made that would:

(i) increase the total number of Common Shares available for Awards under the Plan, except as provided in Section 4 hereof; or

(ii) otherwise cause the Plan to cease to comply with any tax or regulatory requirement, including for these purposes any approval or other requirement which is or would be a prerequisite for exemptive relief from Section 16(b) of the Exchange Act.

(b) Amendments to Awards. The Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any Award theretofore granted, prospectively or retroactively; provided, however, that, subject to the Company's rights to adjust Awards under Sections 7(c) and (d), any amendment, alteration, suspension, discontinuation, cancellation or termination that would impair the rights of any Participant or holder or beneficiary of any Award theretofore granted, shall not to that extent be effective without the consent of such Participant or holder or beneficiary of an Award, as the case may be.

(c) Adjustment of Awards Upon Certain Acquisitions. In the event the Company or any Affiliate shall assume outstanding employee awards or the right or obligation to make future such awards in connection with the acquisition of another business or another corporation or business entity, the Committee may make such adjustments, not inconsistent with the terms of the Plan, in the terms of Awards as it shall deem appropriate in order to achieve reasonable comparability or other

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equitable relationship between the assumed awards and the Awards granted under the Plan as so adjusted.

(d) Adjustments of Awards Upon the Occurrence of Certain Unusual or Non-recurring Events. The Committee is hereby authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or non-recurring events (including, without limitation, the events described in Section 4(b) hereof) affecting the Company, any Affiliate, or the financial statements of the Company or any Affiliate, or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

SECTION 8. General Provisions.

(a) No Right to Awards. No Employee or other Person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Employees, or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with

respect to each recipient.

(b) Delegation. Subject to the terms of the Plan and applicable law, the Committee may delegate to one or more officers or managers of the Company or any Affiliate, or to a committee of such officers or managers, the authority, subject to such terms and limitations as the Committee shall determine, to grant Awards to, or to cancel, modify, waive rights with respect to, alter, discontinue, suspend, or terminate Awards; provided, however, that, no such delegation shall be permitted with respect to Awards held by Employees who are officers or directors of the Company for purposes of Section 16 of the Exchange Act, or any successor section thereto or who are otherwise subject to such Section.

(c) Correction of Defects, Omissions, and Inconsistencies. The Committee may correct any defect, supply any omission, or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry the Plan into effect.

(d) Withholding. The Company or any Affiliate shall be authorized to withhold from any Award granted, from any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to a Participant the amount (in cash, Common Shares, other securities, other Awards, or other property) of withholding taxes due in respect of an Award, its exercise, or any payment or transfer under such Award or under the Plan and to take such other action as may be necessary in the opinion of the Company or Affiliate to satisfy all obligations for the payment of such taxes.

(e) No Limit on Other Compensation Arrangements. Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

(f) No Right to Employment. The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss a Participant from employment, free from any liability, or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.

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(g) Governing Law. The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of New Jersey and applicable Federal law.

(h) Severability. If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or as to any Person or Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable

laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

(i) No Trust or Fund Created. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.

(j) No Fractional Common Shares. No fractional Common Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional Common Shares or whether such fractional Common Shares or any rights thereto shall be canceled, terminated, or otherwise eliminated.

(k) Headings. Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

SECTION 9. Adoption, Approval and Effective Date of the Plan. The Plan shall be considered adopted and shall become effective on the date the Plan is approved by the Board; provided, however, that the Plan and any Awards granted under the Plan shall be void, if the shareholders of the Company shall not have approved the adoption of the Plan within twelve (12) months after the effective date, by a majority of votes cast thereon at a meeting of shareholders duly called and held for such purpose.

AMENDMENT NO. 2

AMENDMENT NO. 2 dated as of December 30, 1996 to Revolving Credit and Term Loan Agreement dated as of October 31, 1995 (as the same was heretofore amended by an Amendment No. 1 dated as of April 30, 1996, the "Credit Agreement") by and among Guest Supply, Inc., Guest Packaging, Inc. and Breckenridge-Remy Co. (collectively, the "Borrower") and PNC Bank, National Association and First Union National Bank, formerly known as First Fidelity Bank, N.A. (each a "Lender" and collectively the "Lenders") and PNC Bank, National Association as agent for the Lenders (in such capacity, the "Agent"). Capitalized terms used herein and not defined herein are used herein as defined in the Credit Agreement.

W I T N E S S E T H:

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WHEREAS, the Borrower has requested that the Lenders amend the Credit Agreement in order to amend a certain financial covenant contained therein; and

WHEREAS, the Lenders are willing to amend the Credit Agreement to reflect such change and make such other revisions as the Lenders deem appropriate and desirable.

NOW, THEREFORE, in consideration of the premises and the agreements hereinafter contained, the parties hereto agree as follows:

1. All references to this "Agreement" shall refer to the Credit Agreement, as amended by Amendment No. 1 and this Amendment No. 2, and as the same may hereafter be amended, supplemented or otherwise modified from time to time.

2. As of the effective date hereof:

(a) Section 6.14 is hereby amended in its entirety as follows:

"6.14 Cash Flow Test. Permit the Cash Flow Test Ratio,

applicable to each quarter of GSI independently (and not in relation to four consecutive quarters as had previously been the case) to be less than 1.00 at the quarter ending June 30, 1996; less than 1.40 at the quarter ending September 30, 1996, less than 1.50 at each quarter ending December 31, 1996

and March 31, 1997; thereafter, from the quarter ending June 30, 1997 through the Maturity Date, not permit the Cash Flow Ratio

Test to be less than 1.50 at the end of any period of four consecutive fiscal quarters of GSI; provided however, that the

Cash Flow Ratio Test shall not be applied at all to GSI's quarter ending March 31, 1996."

3. In consideration of the Lenders' agreeing to enter into this Amendment No. 2, on or before the effective date hereof Borrower shall pay to the Agent for the benefit of and disbursement to the Lenders, an amendment fee of \$3,500 of which \$2,187.50 is payable to PNC and \$1,312.50 is payable to First Union.

4. In order to induce the Lenders to enter into this Amendment No. 2, the Borrower makes the following representations and warranties which shall survive the execution and delivery hereof:

(a) All of the representations made by or on behalf of the Borrower in the Credit Agreement are true on and as of the date hereof;

(b) This Amendment No. 2 has been duly authorized, executed and delivered by the Borrower;

(c) Neither the execution and delivery of this Amendment No. 2 by the Borrower, nor consummation by the Borrower of the transactions herein contemplated, nor compliance by the Borrower with the terms, conditions and provisions hereof will conflict with or result in a breach of any of the terms, conditions or provisions of (i) the Borrower's Certificate of Incorporation or By-Laws, (ii) any agreement or instrument to which the Borrower is now a party or by which the Borrower, or to which the property of the Borrower, is, or may be, bound, or constitute a default thereunder, or result thereunder in the creation or imposition of any security interest, mortgage, lien, charge or encumbrance or any nature whatsoever upon any of the properties or assets of the Borrower, or (iii) any judgment or order, writ, injunction or decree of any court; and

(d) No action of, or filing with, any governmental or public body or authority is required to authorize, or is otherwise required in connection with, the execution, delivery and performance of this Amendment No. 2 by the Borrower.

5. This Amendment No. 2 shall become effective upon receipt by the Agent on behalf of the Lenders of a fully executed original hereof.

6. Except as expressly amended by this Amendment No. 2 all terms and provisions of the Credit Agreement, and all rights of the Lenders and all obligations of the Borrower thereunder shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 2 as of the 30th day of December, 1996.

BORROWERS:

QUEST SUPPLY, INC.

By: _____
Name: P. Xenis
Title: Vice President
of Finance

GUEST PACKAGING, INC.

By: _____
Name: P. Xenis
Title: Vice President
of Finance

BRECKENRIDGE-REMY CO.

By: _____
Name: P. Xenis
Title: Vice President
of Finance

LENDERS:

PNC BANK, NATIONAL ASSOCIATION

By: _____
Name: Kevin D. Drew
Title: Vice President

FIRST UNION NATIONAL BANK FORMERLY KNOWN
AS FIRST FIDELITY BANK, N.A.

By: _____
Name: James T. King
Title: Vice President

AGENT:

PNC BANK, NATIONAL ASSOCIATION

By:

Name: Kevin D. Drew
Title: Vice President

Subsidiaries of Guest Supply, Inc.

Guest Supply, Inc. has the following subsidiaries:

1. Guest International, Ltd., an English corporation.
2. Guest Packaging, Inc., a New Jersey corporation.
3. Breckenridge-Remy Co., a Delaware corporation.
4. Guest International (Canada) Ltd., a Canadian corporation.
5. Guest International New Zealand Limited, a New Zealand corporation.

Independent Auditors' Consent

The Board of Directors
Guest Supply, Inc.:

We consent to incorporation by reference in the Registration Statements (File Nos. 2-89233, 2-89234, 33-22872 and 33-63352) on Form S-8 of Guest Supply, Inc. of our report dated November 18, 1996 relating to the consolidated balance sheets of Guest Supply, Inc. and subsidiaries as of September 30, 1996 and 1995, and the related consolidated statements of operations, cash flows, and shareholders' equity and related schedule for each of the years in the three-year period ended September 30, 1996, which report appears in the September 30, 1996 annual report on Form 10-K of Guest Supply, Inc.

KPMG Peat Marwick LLP

Short Hills, New Jersey
December 27, 1996

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM GUEST SUPPLY'S 1995 FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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