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

FORM 10-Q

(Mark One)
 QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2007

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 1-14643



STERIS Corporation

(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of
incorporation or organization)

**5960 Heisley Road,
Mentor, Ohio**
(Address of principal executive offices)

34-1482024
(IRS Employer
Identification No.)

44060-1834
(Zip code)

440-354-2600
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of common shares outstanding as of October 31, 2007: 63,416,782

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

STERIS CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30, 2007 (Unaudited)	March 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 61,563	\$ 52,296
Accounts receivable (net of allowances of \$8,574 and \$9,911, respectively)	211,774	251,207
Inventories, net	157,693	131,997
Current portion of deferred income taxes, net	14,687	14,560
Prepaid expenses and other current assets	35,647	34,660
Total current assets	481,364	484,720
Property, plant, and equipment, net	384,947	388,899
Goodwill and intangibles, net	334,384	332,947
Other assets	3,335	2,604
Total assets	\$ 1,204,030	\$ 1,209,170
Liabilities and shareholders' equity		
Current liabilities:		
Current portion of long-term indebtedness	\$ 700	\$ 777
Accounts payable	61,605	76,184
Accrued income taxes	11,075	18,761
Accrued payroll and other related liabilities	50,309	59,003
Accrued expenses and other	66,020	62,674
Total current liabilities	189,709	217,399
Long-term indebtedness	124,890	100,800
Deferred income taxes, net	24,150	17,826
Other liabilities	96,781	98,853
Total liabilities	435,530	434,878
Serial preferred shares, without par value; 3,000 shares authorized; no shares issued or outstanding	—	—
Common shares, without par value; 300,000 shares authorized; 70,040 shares issued; 63,739 and 64,982 shares outstanding, respectively	65,167	102,466
Retained earnings	680,943	667,267
Accumulated other comprehensive income	22,390	4,559
Total shareholders' equity	768,500	774,292
Total liabilities and shareholders' equity	\$ 1,204,030	\$ 1,209,170

See notes to consolidated financial statements.

STERIS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2007	2006	2007	2006
Revenues:				
Product	\$182,451	\$179,375	\$354,820	\$345,134
Service	112,551	104,161	221,126	203,469
Total revenues	295,002	283,536	575,946	548,603
Cost of revenues:				
Product	108,246	106,347	210,121	201,640
Service	63,086	58,428	123,443	114,827
Total cost of revenues	171,332	164,775	333,564	316,467
Gross profit	123,670	118,761	242,382	232,136
Operating expenses:				
Selling, general, and administrative	87,993	82,786	174,488	161,200
Research and development	8,531	8,283	17,790	16,678
Restructuring expenses	698	1,158	2,089	2,263
Total operating expenses	97,222	92,227	194,367	180,141
Income from continuing operations	26,448	26,534	48,015	51,995
Non-operating expenses (income):				
Interest expense	1,478	2,376	2,713	4,145
Interest and miscellaneous income	(614)	(801)	(1,076)	(1,480)
Total non-operating expense, net	864	1,575	1,637	2,665
Income from continuing operations before income tax expense	25,584	24,959	46,378	49,330
Income tax expense	9,566	8,599	17,157	18,913
Net income from continuing operations	16,018	16,360	29,221	30,417
Discontinued operations:				
Gain on the sale of discontinued operations, net of tax	—	—	—	627
Net income	\$ 16,018	\$ 16,360	\$ 29,221	\$ 31,044
Basic earnings per common share:				
Income from continuing operations, net of tax	\$ 0.25	\$ 0.25	\$ 0.45	\$ 0.46
Income from discontinued operations, net of tax.	\$ —	\$ —	\$ —	\$ 0.01
Net income	\$ 0.25	\$ 0.25	\$ 0.45	\$ 0.47
Diluted earnings per common share:				
Income from continuing operations, net of tax	\$ 0.25	\$ 0.25	\$ 0.45	\$ 0.46
Income from discontinued operations, net of tax	\$ —	\$ —	\$ —	\$ 0.01
Net income	\$ 0.25	\$ 0.25	\$ 0.45	\$ 0.47
Cash dividends declared per common share outstanding	\$ 0.06	\$ 0.04	\$ 0.11	\$ 0.08

See notes to consolidated financial statements.

STERIS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Six Months Ended	
	September 30,	
	2007	2006
Operating activities:		
Net income	\$ 29,221	\$ 31,044
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, and amortization	31,484	29,677
Deferred income taxes	(2,571)	(7,158)
Share based compensation	4,169	5,785
Loss on the disposal of property, plant, equipment and intangibles, net	723	—
Gain on the sale of discontinued operations, net of tax	—	(627)
Other items	(14)	856
Changes in operating assets and liabilities, excluding the effects of business acquisitions:		
Accounts receivable, net	43,683	43,568
Inventories, net	(20,755)	(27,123)
Other current assets	(593)	(19,382)
Accounts payable	(15,808)	(21,287)
Accruals and other, net	(16,814)	(17,093)
Net cash provided by operating activities	52,725	18,260
Investing activities:		
Purchases of property, plant, equipment, and intangibles, net	(21,591)	(21,419)
Proceeds from the sale of property, plant, equipment, and intangibles	31	—
Proceeds from the sale of discontinued operations	—	2,927
Net cash used in investing activities	(21,560)	(18,492)
Financing activities:		
Proceeds under credit facilities, net	24,090	32,555
Payments on long-term obligations and capital leases, net	—	(361)
Repurchases of common shares	(54,476)	(59,628)
Cash dividends paid to common shareholders	(7,112)	(5,272)
Stock option and other equity transactions, net	10,619	1,825
Tax benefit from stock options exercised	2,389	551
Net cash used in financing activities	(24,490)	(30,330)
Effect of exchange rate changes on cash and cash equivalents	2,592	2,737
Increase (decrease) in cash and cash equivalents	9,267	(27,825)
Cash and cash equivalents at beginning of period	52,296	72,732
Cash and cash equivalents at end of period	<u>\$ 61,563</u>	<u>\$ 44,907</u>

See notes to consolidated financial statements.

STERIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the Three and Six Months Ended
September 30, 2007 and 2006
(dollars in thousands, except per share amounts)

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

STERIS Corporation, an Ohio corporation, develops, manufactures and markets infection prevention, contamination control, microbial reduction, and surgical and critical care support products and services for healthcare, pharmaceutical, scientific, research, industrial, and governmental customers throughout the world. As used in this Quarterly Report, STERIS Corporation and its subsidiaries together are called "STERIS," the "Company," "we," "us," or "our," unless otherwise noted.

We operate in three business segments: Healthcare, Life Sciences, and STERIS Isomedix Services ("Isomedix"). We describe our business segments in note 11 to our consolidated financial statements titled, "Business Segment Information." Our fiscal year ends on March 31. References in this Quarterly Report to a particular "year" or "year-end" mean our fiscal year. The significant accounting policies applied in preparing the accompanying consolidated financial statements of the Company are summarized below:

Interim Financial Statements

We prepared the accompanying unaudited consolidated financial statements of the Company according to accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. This means that they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. Our unaudited interim consolidated financial statements contain all material adjustments (including normal recurring accruals and adjustments) management believes are necessary to present fairly the financial condition, results of operations, and cash flows for the periods presented.

These interim consolidated financial statements should be read together with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended March 31, 2007, filed with the Securities and Exchange Commission ("SEC") on May 30, 2007. The Consolidated Balance Sheet at March 31, 2007 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

Principles of Consolidation

We use the consolidation method to report our investment in our subsidiaries. Consolidation means that we combine the accounts of our wholly-owned subsidiaries with our accounts. We eliminate inter-company accounts and transactions when we consolidate these accounts.

Use of Estimates

We make certain estimates and assumptions when preparing financial statements according to U.S. GAAP that affect the reported amounts of assets and liabilities at the financial statement dates and the reported amounts of revenues and expenses during the periods presented. These estimates and assumptions involve judgments with respect to many factors that are difficult to predict and are beyond our control. Actual results could be materially different from these estimates. We revise the estimates and assumptions as new information becomes available. This means that operating results for the three- and six-month periods ended September 30, 2007 are not necessarily indicative of results that may be expected for future quarters or for the full fiscal year ending March 31, 2008.

STERIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
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Recently Adopted Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (“FASB”) issued FASB Interpretation No. 48 (“FIN No. 48”), “Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109.” This interpretation clarifies the recognition threshold and measurement attribute for financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return. Under FIN No. 48, the economic benefit associated with a tax position is only recognized if it is more likely than not that the tax position will be sustained. After this threshold is met, a tax position is reported at the largest amount of benefit that is more likely than not to be ultimately sustained. FIN No. 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN No. 48 requires the cumulative effect of adoption to be recorded as an adjustment to the opening balance of retained earnings. We adopted FIN No. 48 effective April 1, 2007, as required. Prior to April 1, 2007, we regularly assessed our positions with respect to tax exposures and recorded liabilities for uncertain income tax positions according to Statement of Financial Accounting Standards No. 5 (“SFAS No. 5”), “Accounting for Contingencies.” We describe the impact of adopting FIN No. 48 further in note 8 to our consolidated financial statements titled, “Income Tax Expense.”

New Accounting Pronouncements

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 (“SFAS No. 159”), “The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of SFAS 115,” which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Unrealized gains and losses arising after adoption are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact of adopting SFAS No. 159 on our consolidated financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 (“SFAS No. 157”), “Fair Value Measurements.” SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 does not require new fair value measurements, rather it applies under existing accounting pronouncements that require or permit fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact of adopting SFAS No. 157 on our consolidated financial statements.

Significant Accounting Policies

A detailed description of our significant and critical accounting policies, estimates, and assumptions is included in our Annual Report on Form 10-K for the year ended March 31, 2007, filed with the SEC on May 30, 2007. Our significant and critical accounting policies, estimates, and assumptions have not changed materially from March 31, 2007, other than the adoption of FIN No. 48 as described above.

2. Restructuring

We recognize restructuring expenses as incurred as required under the provisions of Statement of Financial Accounting Standards No. 146 (“SFAS No. 146”), “Accounting for Costs Associated with Exit or Disposal Activities.” In addition, we assess the property, plant and equipment associated with the related facilities for

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impairment under Statement of Financial Accounting Standards No. 144 (“SFAS No. 144”), “Accounting for the Impairment or Disposal of Long-Lived Assets.” Asset impairment and accelerated depreciation expenses primarily relate to an adjustment in the carrying value of the related facilities to their estimated fair value. In addition, the remaining useful lives of other property, plant and equipment associated with the related operations were re-evaluated based on the respective restructuring plan, resulting in the acceleration of depreciation and amortization of certain assets.

Fiscal 2006 Restructuring Plan

During the three and six months ended September 30, 2007, we recorded \$733 and \$2,123, respectively, in restructuring expenses primarily related to the previously announced transfer of the Erie, Pennsylvania manufacturing operations to Monterrey, Mexico (the “Fiscal 2006 Restructuring Plan”), which is intended to improve our cost structure. During the three and six months ended September 30, 2006 we recorded \$1,158 and \$2,263, respectively, in restructuring expenses related to the transfer of manufacturing operations. Additional information regarding the Fiscal 2006 Restructuring Plan is included in our Annual Report on Form 10-K for the year ended March 31, 2007, filed with the SEC on May 30, 2007.

The costs incurred during the second quarter and first half of fiscal 2008 and fiscal 2007 are associated with the Healthcare business segment. Since the inception of the Fiscal 2006 Restructuring Plan, we have incurred restructuring expenses of \$32,299, with restructuring expenses of \$31,885 and \$414 related to the Healthcare and Life Sciences segments, respectively, primarily related to the transfer of manufacturing operations to Monterrey, Mexico.

We anticipate incurring approximately an additional \$2,800 during fiscal 2008 in connection with the transfer of the manufacturing operations to Mexico. Restructuring expenses to be incurred include compensation and benefits, severance, accelerated depreciation and other expenses.

The following tables summarize our total restructuring expenses for the second quarter and first half of fiscal 2008 and fiscal 2007:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2007	2006	2007	2006
Asset impairment and accelerated depreciation	\$ 729	\$ 564	\$ 1,787	\$ 1,269
Severance, payroll and other related costs	—	589	332	979
Other	4	5	4	15
Total restructuring charges	<u>\$ 733</u>	<u>\$ 1,158</u>	<u>\$ 2,123</u>	<u>\$ 2,263</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
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Liabilities related to the Fiscal 2006 Restructuring Plan activities are recorded as current liabilities on the accompanying Consolidated Balance Sheets within “Accrued expenses and other.” The following table summarizes our liabilities related to these restructuring activities:

	Fiscal 2006 Restructuring Plan			September 30, 2007
	March 31, 2007	Fiscal 2008		
		Provision	Payments	
Severance and termination benefits	\$ 1,799	\$ 332	\$ (525)	\$ 1,606
Lease termination obligation	157	(13)	(144)	—
Total	\$ 1,956	\$ 319	\$ (669)	\$ 1,606

European Restructuring Plan

During the third quarter of fiscal 2007, we adopted a restructuring plan related to certain of our European operations (the “European Restructuring Plan”). For the three and six months ended September 30, 2007, we did not incur any additional restructuring expenses related to the European Restructuring Plan and settled certain termination benefits for less than originally expected. Since the inception of the plan, we have incurred restructuring expenses of \$1,668, with restructuring expenses of \$1,178 and \$490 related to the Healthcare and Life Sciences segments, respectively, primarily related to severance and termination benefits. We continue to evaluate our European operations for opportunities to enhance performance, but we have not committed to any additional specific restructuring actions.

Liabilities related to the European Restructuring Plan activities are recorded as current liabilities on the accompanying Consolidated Balance Sheets within “Accrued expenses and other.” The following table summarizes our liabilities related to these restructuring activities:

	European Restructuring Plan			September 30, 2007
	March 31, 2007	Fiscal 2008		
		Provision	Payments	
Severance and termination benefits	\$ 638	\$ (34)	\$ (502)	\$ 102
Lease termination obligation	219	(11)	(43)	165
Fixed asset impairment	105	—	(60)	45
Total	\$ 962	\$ (45)	\$ (605)	\$ 312

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
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3. Comprehensive Income

Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," establishes standards for reporting comprehensive income. Comprehensive income includes net income as currently reported under U.S. GAAP and other comprehensive income. Other comprehensive income considers the effects of additional economic events that are not required to be recorded in determining net income, but rather are reported as a separate component of shareholders' equity. The following table illustrates the components of our comprehensive income:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2007	2006	2007	2006
Net income	\$ 16,018	\$ 16,360	\$ 29,221	\$ 31,044
Cumulative foreign currency translation adjustment	11,059	2,795	17,190	11,618
Amortization of pension and postretirement benefit plans costs, net of tax	323	—	645	—
Unrealized gains on investments	(17)	—	(4)	—
Total comprehensive income	\$ 27,383	\$ 19,155	\$ 47,052	\$ 42,662

4. Property, Plant and Equipment

Information related to the major categories of our depreciable assets is as follows:

	September 30, 2007	March 31, 2007
Land and land improvements (1)	\$ 25,882	\$ 25,553
Buildings and leasehold improvements	184,439	180,672
Machinery and equipment	274,789	268,852
Information systems	123,693	115,137
Radioisotope	140,696	133,723
Construction in progress (1)	37,172	40,098
Total property, plant, and equipment	786,671	764,035
Less: accumulated depreciation and depletion	(401,724)	(375,136)
Property, plant, and equipment, net	\$ 384,947	\$ 388,899

(1) Land is not depreciated. Construction in progress is not depreciated until placed in service.

5. Inventories, Net

Inventories, net are stated at the lower of cost or market. We use the last-in, first-out ("LIFO") and first-in, first-out ("FIFO") cost methods. An actual valuation of inventory under the LIFO method is made only at the end of the fiscal year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels and are subject to the final fiscal

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year-end LIFO inventory valuation. Inventory costs include material, labor, and overhead. Inventories, net consisted of the following:

	<u>September 30,</u> <u>2007</u>	<u>March 31,</u> <u>2007</u>
Raw materials	\$ 42,949	\$ 42,672
Work in process	35,091	30,443
Finished goods	79,653	58,882
Inventories, net	<u>\$ 157,693</u>	<u>\$ 131,997</u>

6. Debt

Indebtedness was as follows:

	<u>September 30,</u> <u>2007</u>	<u>March 31,</u> <u>2007</u>
Private Placement	\$ 100,000	\$ 100,000
Credit facility	24,090	—
Other debt	1,500	1,577
Total	125,590	101,577
Less: current portion	700	777
Long-term portion	<u>\$ 124,890</u>	<u>\$ 100,800</u>

On September 13, 2007, we signed the Second Amended and Restated Credit Agreement (the “Credit Agreement”) with KeyBank National Association, as administrative agent for the lending institutions that are parties to the Credit Agreement (the “Agent”), and the other lenders that may from time to time be a party to the Credit Agreement. This Credit Agreement amends, restates, and replaces our Amended and Restated Credit Agreement dated March 29, 2004, as amended, which was to mature in June 2010. The Credit Agreement matures on September 13, 2012 and provides \$400,000 of credit, which may be increased by up to an additional \$100,000 in specified circumstances, for borrowings and letters of credit. A floating interest rate is applied to amounts borrowed as defined in the Credit Agreement or a fixed rate may be applied based on the Eurodollar Rate or other defined currency rate, plus a margin based on our leverage ratio. Interest is payable quarterly or at the end of the interest period, if shorter. We may prepay floating rate loans without paying a penalty, but we may be required to pay a penalty for prepaying fixed rate loans. The Credit Agreement also allows us to make short term swing loan borrowings not to exceed \$35,000, with an interest rate equal to the Agent’s cost of funds plus a margin. Our obligations under the Credit Agreement are unsecured but guaranteed by our material domestic subsidiaries.

Additional information regarding our indebtedness is included in our Annual Report on Form 10-K for the year ended March 31, 2007, filed with the SEC on May 30, 2007.

STERIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
For the Three and Six Months Ended
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(dollars in thousands, except per share amounts)

7. Additional Consolidated Balance Sheets Information

Additional information related to our Consolidated Balance Sheets is as follows:

	September 30, 2007	March 31, 2007
Accrued payroll and other related liabilities:		
Compensation and related items	\$ 17,530	\$ 19,617
Accrued vacation	12,231	13,265
Accrued bonuses	5,543	8,436
Accrued employee commissions	7,266	9,989
Other postretirement benefit obligations-current portion	6,789	6,789
Other employee benefit plans' obligations-current portion	950	907
Total accrued payroll and other related liabilities	\$ 50,309	\$ 59,003
Accrued expenses and other:		
Deferred revenues	\$ 25,012	\$ 22,919
Self-insured risk retention-GRIC-current portion	5,075	4,096
Other self-insured risks	1,270	541
Accrued dealer commissions	5,726	6,474
Accrued warranty	6,532	5,893
Other	22,405	22,751
Total accrued expenses and other	\$ 66,020	\$ 62,674
Other liabilities:		
Self-insured risk retention-GRIC-long-term portion	\$ 12,223	\$ 12,506
Other postretirement benefit obligations-long-term portion	74,245	74,275
Defined benefit pension plans' obligations	8,849	11,466
Other employee benefit plans' obligations-long-term portion	1,159	606
Minority interest in joint venture	305	—
Total other liabilities	\$ 96,781	\$ 98,853

8. Income Tax Expense

Income tax expense includes United States federal, state and local, and foreign income taxes, and is based on reported pre-tax income. The effective income tax rates for continuing operations for the three-month periods ended September 30, 2007 and 2006 were 37.4% and 34.5%, respectively. For the six-month periods ended September 30, 2007 and 2006, the effective income tax rates for continuing operations were 37.0% and 38.3%, respectively. The lower effective income tax rate for the three-month period ended September 30, 2006 resulted principally from discrete item adjustments to recognize additional deferred tax assets related to foreign tax credits. The lower effective income tax rate for the six-month period ended September 30, 2007 resulted from discrete item adjustments resulting from income tax audits in the United States and Canada.

Income tax expense is provided on an interim basis based upon our estimate of the annual effective income tax rate, adjusted each quarter for discrete items. In determining the estimated annual effective income tax rate, we analyze various factors, including projections of our annual earnings and taxing jurisdictions in which the earnings will be generated, the impact of state and local income taxes, our ability to use tax credits and net operating loss carryforwards, and available tax planning alternatives.

STERIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
For the Three and Six Months Ended
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(dollars in thousands, except per share amounts)

Effective April 1, 2007, we adopted the provisions of FIN No. 48. In accordance with FIN No. 48, we recognized a cumulative-effect adjustment of \$8,433, increasing our liability for unrecognized tax benefits, interest, and penalties and reducing the April 1, 2007 balance of retained earnings. At April 1, 2007, we had \$15,207 in unrecognized tax benefits, of which \$8,702 would affect the effective tax rate if recognized.

In conjunction with the adoption of FIN No. 48, we classified uncertain tax positions as long-term liabilities within "Deferred income taxes, net" in our accompanying Consolidated Balance Sheets unless expected to be paid within 12 months. We recognize accrued interest and penalties related to unrecognized tax benefits within "Income tax expense" in our accompanying Consolidated Statements of Income. At April 1, 2007, we had accrued \$3,449 and \$2,906 for the potential payment of interest and penalties, respectively.

There were no significant changes to any of these amounts during the second quarter or first half of fiscal 2008. It is reasonably possible that unrecognized tax benefits may decrease by up to \$1,765 within 12 months of September 30, 2007 primarily as a result of the settlement of federal audits and the closure of statutes of limitation.

We operate in numerous taxing jurisdictions and are subject to regular examinations by various United States federal, state and foreign jurisdictions. We are no longer subject to United States federal examinations for years before 1999 and, with limited exceptions, we are no longer subject to foreign, state and local tax examinations for years before 2003.

9. Benefit Plans

We provide defined benefit pension plans for certain manufacturing and plant administrative personnel throughout the world as determined by collective bargaining agreements or employee benefit standards. In addition to providing pension benefits to certain employees, we sponsor an unfunded postretirement medical benefit plan for two groups of United States employees comprised substantially of the same employees who receive pension benefits under the United States defined benefit pension plans. Benefits under this plan include retiree life insurance and retiree medical insurance, including prescription drug coverage and Medicare supplemental coverage. Additional information regarding our defined benefit pension plans and other postretirement medical benefit plan is included in our Annual Report on Form 10-K for the year ended March 31, 2007, filed with the SEC on May 30, 2007.

During the fourth quarter of fiscal 2006, we recorded curtailment and special termination benefit losses associated with the restructuring plan to transfer certain manufacturing operations from Erie, Pennsylvania to Monterrey, Mexico. Fiscal 2008 and fiscal 2007 net periodic benefit costs are reduced as a result of the recognition of these losses.

Components of the net periodic benefit cost of our defined benefit pension plans and other postretirement medical benefit plan were as follows:

Three Months Ended September 30,	Defined Benefit Pension Plans				Other Postretirement Benefits Plan	
	United States Qualified		International		2007	2006
	2007	2006	2007	2006		
Service cost	\$ 27	\$ 49	\$ 115	\$ 109	\$ —	\$ —
Interest cost	702	693	76	80	1,161	1,168
Expected return on plan assets	(802)	(680)	(110)	(97)	—	—
Recognized losses	103	94	—	—	247	231
Amortization of transition obligation	(28)	(27)	—	—	—	—
Net periodic benefit cost	\$ 2	\$ 129	\$ 81	\$ 92	\$ 1,408	\$ 1,399

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Six Months Ended September 30,	Defined Benefit Pension Plans				Other Postretirement Benefits Plan	
	United States Qualified		International		2007	2006
	2007	2006	2007	2006		
Service cost	\$ 53	\$ 98	\$ 231	\$ 219	\$ —	\$ —
Interest cost	1,403	1,385	152	160	2,322	2,337
Expected return on plan assets	(1,603)	(1,360)	(220)	(194)	—	—
Recognized losses	206	188	—	—	494	461
Amortization of transition obligation	(55)	(54)	—	—	—	—
Net periodic benefit cost	\$ 4	\$ 257	\$ 163	\$ 185	\$ 2,816	\$ 2,798

We contribute amounts to the defined benefit pension plans at least sufficient to meet the minimum requirements as stated in applicable employee benefit laws and local tax laws. During the first half of fiscal 2008 and fiscal 2007, we contributed \$2,404 and \$3,125, respectively, to our United States defined benefit pension plans. As a result of making these contributions and due to the investment performance of the plan assets, we are not required to, and we do not anticipate making further contributions to, the United States defined benefit pension plans in fiscal 2008.

We record liabilities for the difference between the fair value of the plan assets and the benefit obligation (the projected benefit obligation for pension plans and the accumulated postretirement benefit obligation for other postretirement benefits plans) on our accompanying Consolidated Balance Sheets.

10. Contingencies

We are involved in various patent, product liability, consumer, environmental, tax proceedings and claims, governmental investigations, and other legal and regulatory proceedings that arise from time to time in the ordinary course of business. In accordance with SFAS No. 5, we record accruals for such contingencies to the extent that we conclude that their occurrence is both probable and estimable. We consider many factors in making these assessments, including the professional judgment of experienced members of management and our legal counsel. We have estimated the likelihood of unfavorable outcomes and the amounts of such potential losses. In management's opinion, the ultimate outcome of these proceedings and claims is not anticipated to have a material adverse effect on our consolidated financial position, results of operations, or cash flows. However, the ultimate outcome of litigation is unpredictable and actual results could be materially different from our estimates. We record anticipated recoveries under applicable insurance contracts when we are assured of recovery.

The Food & Drug Administration ("FDA") and the United States Department of Justice are continuing to conduct an investigation involving our SYSTEM 1® sterile processing system. We received requests for documents in connection with the investigation. We continue to respond to these requests and cooperate with the government agencies regarding this matter. There can be no assurance that the ultimate outcome of the investigation will not result in an action by the government agencies or that the government agencies will not initiate administrative proceedings, civil proceedings or criminal proceedings, or any combination thereof, against us.

The Internal Revenue Service ("IRS") routinely conducts audits of our federal income tax returns. During the fourth quarter of fiscal year 2006, we reached a settlement with the IRS with respect to federal income tax

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returns for the fiscal years 1997 and 1998 that were previously in appeals, and entered the appeals phase relative to audit results for fiscal years 1999 through 2001. The IRS began an audit of fiscal years 2002 through 2005 in fiscal year 2007. We also remain subject to tax authority audits in various other jurisdictions in which we operate.

We record accruals for tax positions taken or expected to be taken in a tax return in accordance with the provisions of FIN No. 48. If we were to prevail in matters for which accruals have been established, or are required to pay amounts in excess of established accruals, our effective income tax rate in a given financial statement period may be materially impacted.

11. Business Segment Information

We operate and report in three business segments: Healthcare, Life Sciences, and STERIS Isomedix Services.

Our Healthcare segment is a global provider of capital equipment and accessories used in surgical and critical care environments, emergency departments, gastrointestinal and sterile processing environments, and in infection control processes. We also manufacture and sell consumable products and provide services to this healthcare customer base.

Our Life Sciences segment manufactures and sells capital equipment, cleaning chemistries, and service solutions to pharmaceutical companies, public and private research facilities, government, military, aerospace, transportation, and food and beverage customers.

Our Isomedix Services segment operates through a network of 21 facilities located in North America. We sell a comprehensive array of contract sterilization services using Gamma Irradiation, Electron Beam Irradiation, and ethylene oxide (“EO”) technologies. We provide sterilization, microbial reduction, and materials modification services to companies that supply products to the healthcare, industrial, and consumer products industries.

Operating income (loss) for each segment reflects the full allocation of all distribution, corporate, and research and development expenses to the segments. These allocations are based upon variables such as segment headcount and revenues. In addition, the Healthcare segment is responsible for the management of all but one manufacturing facility and uses standard costs to sell products to the Life Sciences segment. The accounting policies for the segments are the same as those for the consolidated Company. Individual facilities, equipment and intellectual properties are utilized for production for multiple segments at varying levels over time. As a result, an allocation of depreciable assets is not meaningful to segment performance. For the three and six months ended September 30, 2007, revenues from a single customer did not represent ten percent or more of any segment’s revenues. Additional information regarding our segments is included in our Annual Report on Form 10-K for the year ended March 31, 2007, filed with the SEC on May 30, 2007.

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Financial information for each of our business segments is presented in the following table:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2007	2006	2007	2006
Revenues:				
Healthcare	\$ 206,684	\$ 197,094	\$ 402,375	\$ 384,225
Life Sciences	53,525	52,951	103,306	98,332
STERIS Isomedix Services	34,793	33,491	70,265	66,046
Total revenues	\$ 295,002	\$ 283,536	\$ 575,946	\$ 548,603
Operating income (loss):				
Healthcare	\$ 18,517	\$ 20,426	\$ 33,730	\$ 41,539
Life Sciences	1,428	275	578	(1,038)
STERIS Isomedix Services	6,503	5,833	13,707	11,494
Total operating income	\$ 26,448	\$ 26,534	\$ 48,015	\$ 51,995

Financial information for our United States and international geographic areas is presented in the following table. Revenues are based on the location of our customers. Long-lived assets are those assets that are identified within the operations in each geographic area, including property, plant, equipment, goodwill, intangibles, and other assets.

	Three Months Ended September 30,		Six Months Ended September 30,	
	2007	2006	2007	2006
Revenues:				
United States	\$ 227,466	\$ 224,219	\$ 449,455	\$ 435,181
International	67,536	59,317	126,491	113,422
Total revenues	\$ 295,002	\$ 283,536	\$ 575,946	\$ 548,603
	September 30,	March 31,		
	2007	2007		
Long-lived assets:				
United States	\$ 561,726	\$ 570,851		
International	160,940	153,599		
Total long-lived assets	\$ 722,666	\$ 724,450		

12. Common Shares

Basic earnings per common share are calculated based upon the weighted average number of common shares outstanding. Diluted earnings per common share are calculated based upon the weighted average number of common shares outstanding plus the dilutive effect of common share equivalents calculated using the treasury

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stock method. The following is a summary of common shares and common share equivalents outstanding used in the calculations of basic and diluted earnings per common share:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2007	2006	2007	2006
	(shares in thousands)			
Weighted average common shares outstanding - basic	64,207	65,567	64,612	65,882
Dilutive effect of common share equivalents	840	552	866	509
Weighted average common shares outstanding and common share equivalents - diluted	<u>65,047</u>	<u>66,119</u>	<u>65,478</u>	<u>66,391</u>

Options to purchase the following number of common shares at the following weighted average exercise prices were outstanding but excluded from the computation of diluted earnings per common share because the options were not vested or the exercise prices were greater than the average market price for the common shares during the periods:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2007	2006	2007	2006
	(shares in thousands)			
Number of common share options	1,305	2,169	1,194	2,124
Weighted average exercise price	\$ 28.30	\$ 26.75	\$28.31	\$26.80

13. Repurchases of Common Shares

On July 26, 2007, we announced that the Company's Board of Directors had authorized the repurchase of up to \$300,000 in shares of our common stock, replacing a previous authorization to repurchase up to 3,000,000 common shares under which 1,886,869 shares remained available for repurchase. This new common share repurchase authorization does not have a stated maturity date. Under this new authorization, we may purchase shares from time to time through open market purchases or privately negotiated transactions, including transactions pursuant to Rule 10b5-1 plans.

During the first half of fiscal 2008, we repurchased 1,953,331 of our common shares for \$55,620, representing an average price of \$28.47 per common share, including repurchases of 41,700 of our common shares for \$1,144 that were not settled until October 2007.

At September 30, 2007, \$265,615 in shares of our common stock remained authorized for repurchase and 6,300,991 common shares were held in treasury.

14. Share-Based Compensation

STERIS has a long-term incentive plan that makes available up to 6,600,000 common shares for grant at the discretion of the Compensation Committee of the Board of Directors to officers, directors, and key employees in the form of stock options, restricted shares, and restricted share units, or other forms permitted by the plan. STERIS previously granted stock options under various other plans. Stock options provide the right to purchase

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our common shares at the market price on the date of grant, subject to the terms of option plans and agreements. Generally, stock options granted become exercisable in 25% increments for each full year of employment following the grant date. Stock options granted generally expire 10 years after the grant date, or earlier if the option holder ceases to be employed by us. Certain option agreements have provisions that provide for an adjustment to the normal vesting schedule allowing the options to vest on a prorated basis as defined by the agreement in the event of employment termination. Restricted shares and restricted share units generally cliff vest over an approximately three-year period. As of September 30, 2007, 5,521,794 shares remain available for grant under the long-term incentive plan.

On April 1, 2006, we adopted Statement of Financial Accounting Standard No. 123 (revised 2004) (“SFAS No. 123R”), “Share-Based Payment,” using the modified prospective transition method. We estimate the fair value of share-based awards on the date of the grant using an option pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in our Consolidated Statements of Income. The expense is classified as cost of goods sold or selling, general and administrative expenses in a manner consistent with the employee’s compensation and benefits.

Under the modified prospective transition method, compensation cost recognized in the first six months of fiscal 2008 and fiscal 2007 includes (a) compensation cost for all share-based compensation granted, but not yet vested, as of April 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of Statement of Financial Accounting Standards No. 123 (“SFAS No. 123”), “Accounting for Stock-Based Compensation,” and (b) compensation cost for all share-based compensation granted on or subsequent to April 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R.

Total share based compensation expense recognized during the second quarter and first half of fiscal 2008 was \$2,554 and \$4,169, respectively, before income taxes (\$992 and \$1,568, respectively, net of income taxes). Total share based compensation expense recognized during the second quarter and first half of fiscal 2007 was \$3,693 and \$5,785, respectively, before income taxes (\$2,268 and \$3,553, respectively, net of income taxes). The effect of the adoption of SFAS No. 123R on the first half of fiscal 2008 and fiscal 2007 results is not indicative of the effect on the second half of each fiscal year, as approximately \$660 and \$1,784 of the stock compensation expense recorded in the first half of fiscal 2008 and fiscal 2007, respectively, was attributable to the accelerated recognition of expense for certain employees that are or will become eligible for retirement during the vesting period.

The fair value of share based compensation awards was estimated at their grant date using the Black-Scholes-Merton option pricing model. This model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable, characteristics that are not present in our grants. If the model permitted consideration of the unique characteristics of employee stock options, the resulting estimate of the fair value of the stock options could be different.

The following weighted-average assumptions were used for options granted during the first half of fiscal 2008 and fiscal 2007:

	<u>Fiscal 2008</u>	<u>Fiscal 2007</u>
Risk-free interest rate	5.04%	4.73%
Expected life of options	5.53 years	6 years
Expected dividend yield of stock	0.93%	0.65%
Expected volatility of stock	29.66%	34.29%

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The risk-free interest rate is based upon the U.S. Treasury yield curve at the time of grant. The expected life of options is reflective of historical experience, vesting schedules and contractual terms. The expected dividend yield of stock represents our best estimate of the expected future dividend yield. The expected volatility of stock is derived by referring to our historical stock prices over a timeframe similar to that of the expected life of the grant. We applied an estimated forfeiture rate of 2.2 percent for fiscal 2007 through the first quarter of fiscal 2008, then 2.49 percent beginning in the second quarter of fiscal 2008. This rate is calculated based upon historical activity and represents an estimate of the granted options not expected to vest. If actual forfeitures differ from this calculated rate, we may be required to make additional adjustments to compensation expense in future periods. The expected life and expected forfeiture rate used for options granted in fiscal 2008 and fiscal 2007 to our former Chief Executive Officer (“CEO”) were adjusted based on the terms of the employment agreements with the former CEO entered into in May 2007 and September 2006. The assumptions used above are reviewed at the time of each significant option grant, or at least annually.

Stock option activity for the first half of fiscal 2008 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at March 31, 2007	5,462,997	\$ 21.60		
Granted	402,668	27.68		
Exercised	(592,560)	17.86		
Forfeited	(31,053)	25.57		
Outstanding at September 30, 2007	5,242,052	\$ 22.47	5.77	\$ 26,840
Exercisable at September 30, 2007	4,038,062	\$ 21.40	4.91	\$ 25,147

The total intrinsic value of stock options exercised during the first half of fiscal 2008 and fiscal 2007 was \$6,206 and \$1,464, respectively. Net cash proceeds from the exercise of stock options were \$10,619 and \$2,381 for the first half of fiscal 2008 and fiscal 2007, respectively. An income tax benefit of \$2,389 and \$551 was realized from stock option exercises during the first half of fiscal 2008 and fiscal 2007, respectively.

The weighted average grant date fair value of share-based compensation grants was \$9.44 and \$9.75 for the first half of fiscal 2008 and fiscal 2007, respectively. The weighted average grant date fair value of share-based compensation granted to the former CEO was adjusted based on the terms of the employment agreements with the former CEO entered into in May 2007 and September 2006.

Restricted share activity for the first half of fiscal 2008 is as follows:

	Number of Restricted Shares	Number of Restricted Share Units	Weighted- Average Grant Date Fair Value
Nonvested at March 31, 2007	63,570	20,850	\$ 23.18
Granted	107,136	—	27.44
Vested	(2,610)	—	27.33
Canceled	(1,275)	—	23.17
Nonvested at September 30, 2007	<u>166,821</u>	<u>20,850</u>	<u>\$ 25.58</u>

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Restricted shares and restricted share units granted were valued based on the closing stock price at the grant date and are estimated to cliff vest over an approximately three-year period based upon the terms of the grants. The total intrinsic value of restricted shares that vested during the first half of fiscal 2008 and fiscal 2007 was \$71 and \$34, respectively.

As of September 30, 2007, there was \$11,991 of total unrecognized compensation cost related to non-vested share-based compensation granted under our share-based compensation plans. The cost is expected to be recognized over a weighted average period of 1.73 years.

15. Financial and Other Guarantees

We generally offer a limited parts and labor warranty on capital equipment. The specific terms and conditions of those warranties vary depending on the product sold and the country where we conduct business. We record a liability for the estimated cost of product warranties at the time product revenues are recognized. The amounts we expect to incur on behalf of our customers for the future estimated cost of these warranties are recorded as a current liability on the accompanying Consolidated Balance Sheets within "Accrued expenses and other." Factors that affect the amount of our warranty liability include the number and type of installed units, historical and anticipated rates of product failures, and material and service costs per claim. We periodically assess the adequacy of our recorded warranty liabilities and adjust the amounts as necessary.

Changes in our warranty liability during the first half of fiscal 2008 were as follows:

Balance, March 31, 2007	\$ 5,893
Warranties issued during the period	6,128
Settlements made during the period	<u>(5,489)</u>
Balance, September 30, 2007	<u>\$ 6,532</u>

We also sell product maintenance contracts to our customers. These contracts range in terms from one to five years and require us to maintain and repair the product over the maintenance contract term. We initially record amounts due from customers under these contracts as a liability for deferred service contract revenue on the accompanying Consolidated Balance Sheets within "Accrued expenses and other." The liability recorded for such deferred service revenue was \$18,428 and \$16,751 as of September 30, 2007 and March 31, 2007, respectively. Such deferred revenues are then amortized on a straight-line basis over the contract term and recognized as service revenues on the accompanying Consolidated Statements of Income. The activity related to the liability for deferred service contract revenues has been excluded from the table presented above.

16. Foreign Currency Forward Contracts

From time to time, we enter into forward contracts to hedge potential foreign currency gains and losses that arise from assets and liabilities denominated in foreign currencies, including inter-company transactions. We do not use derivative financial instruments for speculative purposes. These contracts are marked to market, with gains and losses recognized on the accompanying Consolidated Statements of Income within "Selling, general, and administrative expenses." At September 30, 2007, we did not hold any foreign currency forward contracts.

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17. Business Dispositions

On October 31, 2005, we sold our freeze dryer (lyophilizer) product line to GEA Group of Germany for 20.8 million euros (approximately \$25,161). As a result of the sale, we recognized an after-tax gain \$7,292. The gain recognized through September 30, 2006 was preliminary because the purchase price was subject to post-closing adjustments. The freeze dryer product line, based in Cologne, Germany, was part of our Life Sciences segment. The gain from the sale of this product line, recorded during the first half of fiscal 2007, of \$627 is presented in our consolidated financial statements as a discontinued operation, net of tax.

18. Subsequent Events

On September 10, 2007, we announced that the Company's Board of Directors appointed a new CEO, effective October 1, 2007. In connection with his employment, effective October 15, 2007, the Company awarded the new CEO, a total of 135,000 stock options at an exercise price of \$28.32 per share and 45,000 restricted stock units with a grant date fair value of \$28.32 per share.

Effective November 1, 2007, the Company awarded a total of 4,000 stock options at an exercise price of \$27.45 per share and 1,400 restricted shares with a grant date fair value of \$27.45 per share to certain officers of the Company.

On October 24, 2007, we announced that the Company's Board of Directors had declared a quarterly cash dividend in the amount of \$0.06 per common share, payable on December 12, 2007, to shareholders of record as of November 14, 2007.

Subsequent to September 30, 2007 and prior to November 7, 2007, we repurchased 427,900 of our common shares for an aggregate of \$12,071, representing an average price of \$28.21 per common share.

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
STERIS Corporation

We have reviewed the consolidated balance sheet of STERIS Corporation and subsidiaries as of September 30, 2007, and the related consolidated statements of income for the three-month and six-month periods ended September 30, 2007 and 2006, and the consolidated statements of cash flows for the six-month periods ended September 30, 2007 and 2006. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based upon our review, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of STERIS Corporation and subsidiaries as of March 31, 2007, and the related consolidated statements of income, shareholders' equity and cash flows for the year then ended, not presented herein, and in our report dated May 24, 2007, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of March 31, 2007, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Cleveland, Ohio
November 6, 2007

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

Introduction. In Management’s Discussion and Analysis of Financial Condition and Results of Operations (the “MD&A”), we explain the general financial condition and the results of operations for STERIS including:

- what factors affect our business;
- what our earnings and costs were in the second quarter and first half of fiscal 2008 and 2007;
- why those earnings and costs were different from the prior periods;
- where our earnings came from;
- how this affects our overall financial condition; and
- where cash will come from to pay for future capital expenditures.

As you read the MD&A, it may be helpful to refer to information in our consolidated financial statements, which present the results of our operations for the second quarter and first half of fiscal 2008 and fiscal 2007. In the MD&A, we analyze and explain the period-over-period changes in the specific line items in the Consolidated Statements of Income. Our analysis may be important to you in making decisions about your investments in STERIS.

Financial Measures. In the following sections of the MD&A, we may, at times, refer to financial measures that are not required to be presented in the consolidated financial statements under U.S. GAAP. We have used the following financial measures in the context of this report: backlog; debt to capital; and days sales outstanding. We define these financial measures as follows:

- **Backlog** - We define backlog as the amount of unfilled capital purchase orders at a point in time. We use this figure as a measure to assist in the projection of short-term financial results and inventory requirements.
- **Debt to capital** - We define debt to capital as total debt divided by the sum of total debt and shareholders’ equity. We use this figure as a financial liquidity measure to gauge our ability to borrow, fund growth, and measure the risk of our financial structure.
- **Days sales outstanding (“DSOs”)** - We define DSO as the average collection period for accounts receivable. It is calculated as net accounts receivable divided by the trailing four quarter’s revenues, multiplied by 365 days. We use this figure to help gauge the quality of accounts receivable and expected time to collect.

In the following sections of MD&A, we may, at times, also refer to financial measures which are considered to be “non-GAAP financial measures” under the rules of the SEC. Non-GAAP financial measures we may use are as follows:

- **Free cash flow** - We define free cash flow as net cash flows provided by (used in) operating activities as presented in the Consolidated Statements of Cash Flows less purchases of property, plant, equipment, and intangibles, net, plus proceeds from the sale of property, plant, equipment, and intangibles, which is also presented in the Consolidated Statements of Cash Flows. We use this measure to gauge our ability to fund future growth outside of core operations, repurchase common shares, pay cash dividends, and reduce debt. The following table reconciles the calculations of our free cash flow for the six months ended September 30, 2007 and 2006:

<i>(dollars in thousands)</i>	Six Months Ended	
	September 30,	
	2007	2006
Cash flows from operating activities	\$ 52,725	\$ 18,260
Purchases of property, plant, equipment, and intangibles, net	(21,591)	(21,419)
Proceeds from the sale of property, plant, equipment, and intangibles	31	—
Free cash flow	\$ 31,165	\$ (3,159)

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We may, at times, refer to our results of operations excluding certain transactions or amounts that are non-recurring or are not indicative of future results, in order to provide meaningful comparative analysis between the periods presented. For example, when discussing changes in revenues, we may, at times, exclude the impact of recently completed acquisitions and divestitures.

We have presented these financial measures because we believe that meaningful analysis of our financial performance is enhanced by an understanding of certain additional factors underlying that performance. These financial measures should not be considered alternatives to measures required by U.S. GAAP. Our calculations of these measures may differ from calculations of similar measures used by other companies.

Revenues - Defined. As required by Regulation S-X, we separately present revenues generated as either product revenues or service revenues on our Consolidated Statements of Income for each period presented. When we discuss revenues, we may, at times, refer to revenues summarized differently than the Regulation S-X requirements. The terminology, definitions, and applications of terms that we use to describe revenues may be different from terms used by other companies. We use the following terms to describe revenues:

- **Revenues** - Our revenues are presented net of sales returns and allowances.
- **Product Revenues** - We define product revenues as revenues generated from sales of capital equipment, which includes steam and low temperature liquid sterilizers, washing systems, VHP[®] technology, water stills, and pure steam generators; surgical lights, tables and ceiling management systems; and the consumable family of products, which includes STERIS SYSTEM 1[®] consumables, sterility assurance products, skin care products, and cleaning consumables.
- **Service Revenues** - We define service revenues as revenues generated from parts and labor associated with the maintenance, repair, and installation of capital equipment, as well as revenues generated from contract sterilization offered through our Isomedix Services segment.
- **Capital Revenues** - We define capital revenues, a subset of product revenues, as revenues generated from sales of capital equipment, which includes steam and low temperature liquid sterilizers, washing systems, VHP[®] technology, water stills, and pure steam generators; and surgical lights, tables and ceiling management systems.
- **Consumable Revenues** - We define consumable revenues, a subset of product revenues, as revenues generated from sales of the consumable family of products, which includes STERIS SYSTEM 1[®] consumables, sterility assurance products, skin care products, and cleaning consumables.
- **Recurring Revenues** - We define recurring revenues as revenues generated from the sale of consumable products and service revenues.

General Company Overview and Executive Summary. Our mission is to provide a healthier today and safer tomorrow through knowledgeable people and innovative infection prevention, decontamination and health science technologies, products, and services. Our dedicated employees around the world work together to supply a broad range of solutions by offering a combination of equipment, consumables, and services to healthcare, pharmaceutical, industrial, and governmental customers.

We participate in industries that currently benefit from strong underlying demand, with the bulk of our revenues derived from the healthcare and pharmaceutical industries. As such, much of the growth in our markets is driven by the aging of the population throughout the world, as an increasing number of individuals are entering their prime healthcare consumption years. In addition, each of our core industries also are benefiting from specific trends that drive growth. Within the healthcare market, there is increased concern regarding the level of hospital-acquired infections around the world. The pharmaceutical industry has been impacted by increased FDA scrutiny of cleaning and validation processes, mandating that manufacturers improve their processes. In the contract sterilization industry, where our Isomedix segment competes, a trend toward the outsourcing of sterilization services continues to drive growth.

Beyond our core markets, infection-control issues are becoming a global concern, and emerging threats have gained prominence in the news. Through the Life Sciences segment, we are actively pursuing new opportunities

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to adapt our proven technologies to meet the needs of emerging applications such as defense, aerospace, food and beverage, and industrial decontamination.

Fiscal 2008 second quarter and first half revenues were \$295.0 million and \$575.9 million, respectively, representing increases of 4.0% and 5.0%, respectively, from the same prior year periods. Revenues in the second quarter and first half of fiscal 2008 reflect growth in all three business segments.

Our gross margin percentages were 41.9% and 42.1% for the second quarter and first half of fiscal 2008, which was flat compared to the same prior year quarter and a decrease of 20 basis points from the first half of fiscal 2007. Gross margins during both fiscal 2008 periods were unfavorably impacted by increases in the costs of raw materials but benefited from price increases and productivity improvements.

Free cash flow was \$31.2 million in the first half of fiscal 2008 compared to negative \$3.2 million in the prior year first half. The fiscal 2007 first half negative free cash flow of \$3.2 million was a result of working capital changes, including approximately \$27.6 million in payments to the IRS for taxes previously recognized. Our debt-to-capital ratio increased to 14.0% at September 30, 2007 from 11.6% at March 31, 2007 reflecting increased borrowings utilized to fund working capital changes and common share repurchases. During the first half of fiscal 2008, we paid for the repurchase of approximately 1.9 million common shares at an average purchase price per share of \$28.50. We also declared and paid cash dividends totaling \$0.11 per common share in the first half of fiscal 2008. In the first half of fiscal 2007, we declared and paid cash dividends totaling \$0.08 per common share.

On July 26, 2007, we announced that the Company's Board of Directors increased the quarterly cash dividend by 20% and declared a quarterly cash dividend in the amount of \$0.06 per common share, which was paid on September 12, 2007, to shareholders of record as of August 15, 2007.

Additional information regarding the Company's fiscal 2008 second quarter and first half financial performance is included in the subsection below titled "Results of Operations."

Matters Affecting Comparability

Accounting for Uncertain Tax Positions. On April 1, 2007, we adopted FIN No. 48, which provides guidance for the recognition threshold and measurement attribute for financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return. In accordance with FIN No. 48, we recorded a cumulative-effect adjustment of \$8.4 million, increasing our liability for unrecognized tax benefits, interest, and penalties and reducing the April 1, 2007 balance of retained earnings.

Additional information regarding our adoption of FIN No. 48 is included in note 1 titled, "Nature of Operations and Summary of Significant Accounting Policies," and in note 8 titled, "Income Tax Expense," of our accompanying consolidated financial statements.

Restructuring. On January 30, 2006, we announced that the manufacturing portion of our Erie, Pennsylvania operations would be transferred to Mexico to reduce production costs and improve our competitive position. Plans for other restructuring actions designed to reduce operating costs within the ongoing operations of both the Healthcare and Life Sciences segments also were approved at that time.

During the second quarter and first half of fiscal 2008, we recorded pre-tax expenses of \$1.4 million and \$3.3 million, including \$0.7 million and \$2.1 million classified as restructuring expenses, respectively. During the second quarter and first half of fiscal 2007, we recorded pre-tax expenses of \$3.3 million and \$5.7 million, including \$1.2 million and \$2.3 million classified as restructuring expenses, respectively. The expenses recorded in each year primarily related to accelerated depreciation of assets, compensation and severance and termination benefits related to the transfer of our Erie, Pennsylvania manufacturing operations to Monterrey, Mexico.

Additional information regarding our restructuring actions is included in our Annual Report on Form 10-K for the year ended March 31, 2007, filed with the SEC on May 30, 2007.

Business Dispositions. On October 31, 2005, we sold our freeze dryer (lyophilizer) product line to GEA Group of Germany for 20.8 million euros (approximately \$25.2 million). As a result of the sale, we recognized an after-tax gain of approximately \$7.3 million. The gain recognized through September 30, 2006 remained subject to adjustment as transaction costs were finalized. The freeze dryer product line, based in Cologne,

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Germany, was part of our Life Sciences segment. The gain from the sale of this product line, recorded through the first half of fiscal 2007, of \$0.6 million is presented in our financial statements as a discontinued operation, net of tax.

International Operations. Since we conduct operations outside of the United States using various foreign currencies, our operating results are impacted by foreign currency movements relative to the U.S. dollar. During the second quarter of fiscal 2008, our revenues were favorably impacted by \$3.2 million, or 1.1%, and income before taxes was favorably impacted by \$0.6 million, or 2.6%, compared with the same period in fiscal 2007, as a result of foreign currency fluctuations. During the first half of fiscal 2008, our revenues were favorably impacted by \$5.4 million, or 0.9%, and income before taxes was unfavorably impacted by \$1.1 million, or 2.4%, as compared to the same prior year period, as a result of foreign currency fluctuations.

Results of Operations

In the following subsections, we discuss our earnings and the factors affecting them for the second quarter and first half of fiscal 2008 compared with the same fiscal 2007 periods. We begin with a general overview of our operating results and then separately discuss earnings for our operating segments.

Revenues. The following table contains information regarding our revenues for the second quarter and first half of fiscal 2008 and 2007:

<i>(dollars in thousands)</i>	Three Months Ended September 30,		Change	Percent Change	Percent of Total Revenues	
	2007	2006			2007 (1)	2006 (1)
Capital Revenues	\$ 114,036	\$ 115,104	\$ (1,068)	-0.9%	38.7%	40.6%
Consumable Revenues	68,415	64,271	4,144	6.4%	23.2%	22.7%
Product Revenues	182,451	179,375	3,076	1.7%	61.8%	63.3%
Service Revenues	112,551	104,161	8,390	8.1%	38.2%	36.7%
Total Revenues	\$ 295,002	\$ 283,536	\$ 11,466	4.0%	100.0%	100.0%
Service Revenues	\$ 112,551	\$ 104,161	\$ 8,390	8.1%	38.2%	36.7%
Consumable Revenues	68,415	64,271	4,144	6.4%	23.2%	22.7%
Recurring Revenues	180,966	168,432	12,534	7.4%	61.3%	59.4%
Capital Revenues	114,036	115,104	(1,068)	-0.9%	38.7%	40.6%
Total Revenues	\$ 295,002	\$ 283,536	\$ 11,466	4.0%	100.0%	100.0%
United States	\$ 227,466	\$ 224,219	\$ 3,247	1.4%	77.1%	79.1%
International	67,536	59,317	8,219	13.9%	22.9%	20.9%
Total Revenues	\$ 295,002	\$ 283,536	\$ 11,466	4.0%	100.0%	100.0%

	Six Months Ended September 30,		Change	Percent Change	Percent of Total Revenues	
	2007	2006			2007(1)	2006(1)
Capital Revenues	\$ 216,885	\$ 215,157	\$ 1,728	0.8%	37.7%	39.2%
Consumable Revenues	137,935	129,977	7,958	6.1%	23.9%	23.7%
Product Revenues	354,820	345,134	9,686	2.8%	61.6%	62.9%
Service Revenues	221,126	203,469	17,657	8.7%	38.4%	37.1%
Total Revenues	\$ 575,946	\$ 548,603	\$ 27,343	5.0%	100.0%	100.0%
Service Revenues	\$ 221,126	\$ 203,469	\$ 17,657	8.7%	38.4%	37.1%
Consumable Revenues	137,935	129,977	7,958	6.1%	23.9%	23.7%
Recurring Revenues	359,061	333,446	25,615	7.7%	62.3%	60.8%
Capital Revenues	216,885	215,157	1,728	0.8%	37.7%	39.2%
Total Revenues	\$ 575,946	\$ 548,603	\$ 27,343	5.0%	100.0%	100.0%
United States	\$ 449,455	\$ 435,181	\$ 14,274	3.3%	78.0%	79.3%
International	126,491	113,422	13,069	11.5%	22.0%	20.7%
Total Revenues	\$ 575,946	\$ 548,603	\$ 27,343	5.0%	100.0%	100.0%

(1) Certain percentages may not calculate precisely due to rounding.

Quarter over Quarter Comparison

Revenues increased \$11.5 million, or 4.0%, to \$295.0 million for the quarter ended September 30, 2007, as compared to \$283.5 million for the comparable prior year quarter. As compared to the second quarter of fiscal 2007, recurring revenues increased 7.4%, driven by increases in consumable revenues and service revenues of 6.4% and 8.1%, respectively. Capital revenues decreased 0.9% quarter over quarter as increased revenues internationally were offset by a decline in the United States.

International revenues increased \$8.2 million, or 13.9%, to \$67.5 million, for the quarter ended September 30, 2007, as compared to \$59.3 million for the comparable prior year quarter. Recurring revenues grew within both the Healthcare and Life Sciences segments with increases of 19.1% and 25.1%, respectively, over the comparable prior year quarter. International revenues were also positively impacted by capital equipment growth in the Healthcare segment with an increase of 16.2% over the comparable prior year quarter.

United States revenues increased \$3.3 million, or 1.4%, to \$227.5 million, for the quarter ended September 30, 2007, as compared to \$224.2 million for the comparable prior year quarter. United States revenues were positively impacted by recurring revenue growth in all three business segments with increases of 5.0%, 7.3%, and 5.3% in the Healthcare, Life Sciences, and Isomedix segments, respectively. The strength in recurring revenues was partially offset by a decline of 18.7% in capital revenues in the Life Sciences segment.

Year over Year Comparison

Revenues increased \$27.3 million, or 5.0%, to \$575.9 million for the first half of fiscal 2008, as compared to \$548.6 million during the first half of fiscal 2007. As compared to the first half of fiscal 2007, recurring revenues increased 7.7%, reflecting growth in consumable revenues and service revenues, with increases of 6.1% and 8.7%, respectively. Capital revenues increased \$1.7 million period over period, as increases in international revenues more than offset the decline in United States revenues.

International revenues for the first half of fiscal 2008 amounted to \$126.5 million, an increase of \$13.1 million, or 11.5%, as compared to the first half of fiscal 2007. Fiscal 2008 year-to-date international revenues were positively impacted by strong recurring revenue growth within both the Healthcare and Life Sciences segments, with increases of 16.1% and 17.5%, respectively.

United States revenues for the first half of fiscal 2008 amounted to \$449.4 million, an increase of \$14.3 million, or 3.3%, as compared to the first half of fiscal 2007. Strong underlying demand for our service offerings and consumable products more than offset declines in capital revenues in both the Healthcare and Life Sciences segments.

Revenues are further discussed on a segment basis in the section of MD&A titled, "Business Segment Results of Operations."

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Gross Profit. The following table compares our gross profit for the three and six months ended September 30, 2007 to the three and six months ended September 30, 2006:

<i>(dollars in thousands)</i>	Three Months Ended September 30,		Change	Percent Change
	2007	2006		
Gross Profit:				
Product	\$ 74,205	\$ 73,028	\$ 1,177	1.6%
Service	49,465	45,733	3,732	8.2%
Total Gross Profit	<u>\$123,670</u>	<u>\$118,761</u>	<u>\$ 4,909</u>	<u>4.1%</u>
Gross Profit Percentage:				
Product	40.7%	40.7%		
Service	43.9%	43.9%		
Total Gross Profit Percentage	<u>41.9%</u>	<u>41.9%</u>		
	Six Months Ended September 30,		Change	Percent Change
	2007	2006		
Gross Profit:				
Product	\$144,699	\$143,494	\$ 1,205	0.8%
Service	97,683	88,642	9,041	10.2%
Total Gross Profit	<u>\$242,382</u>	<u>\$232,136</u>	<u>\$10,246</u>	<u>4.4%</u>
Gross Profit Percentage:				
Product	40.8%	41.6%		
Service	44.2%	43.6%		
Total Gross Profit Percentage	<u>42.1%</u>	<u>42.3%</u>		

Our gross profit (margin) is affected by the volume, pricing, and mix of our products and services, as well as the costs associated with the products and services that are sold. Gross margin for the second quarter of fiscal 2008 amounted to 41.9%, which was flat as compared to the same prior year period. In the second quarter of fiscal 2008, we benefited from price increases and labor savings from the transfer of our manufacturing operations from Erie, Pennsylvania to Monterrey, Mexico but the benefits were offset by increases in raw material costs. For the first half of fiscal 2008, gross margin amounted to 42.1%, representing a decrease of 20 basis points as compared to the same prior year period, as the benefits of price increases and productivity improvements were more than offset by increases in raw material costs.

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Operating Expenses. The following table compares our operating expenses for the three and six months ended September 30, 2007 to the three and six months ended September 30, 2006:

<i>(dollars in thousands)</i>	Three Months Ended September 30,		Change	Percent Change
	2007	2006		
Operating Expenses:				
Selling, General, and Administrative	\$ 87,993	\$ 82,786	\$ 5,207	6.3%
Research and Development	8,531	8,283	248	3.0%
Restructuring Expense	698	1,158	(460)	-39.7%
Total Operating Expenses	\$ 97,222	\$ 92,227	\$ 4,995	5.4%
	Six Months Ended September 30,		Change	Percent Change
	2007	2006		
Operating Expenses:				
Selling, General, and Administrative	\$ 174,488	\$ 161,200	\$ 13,288	8.2%
Research and Development	17,790	16,678	1,112	6.7%
Restructuring Expense	2,089	2,263	(174)	-7.7%
Total Operating Expenses	\$ 194,367	\$ 180,141	\$ 14,226	7.9%

Significant components of total selling, general, and administrative expenses (“SG&A”) are compensation and benefit costs, fees for professional services, travel and entertainment, facilities costs, and other general and administrative expenses. As a percentage of total revenues, SG&A increased 60 basis points to 29.8% for the second quarter of fiscal 2008 and increased 90 basis points to 30.3% for the first half of fiscal 2008, as compared to the same prior year periods. The increase in SG&A in both fiscal 2008 periods reflects continued investments in the development and marketing of new products along with added selling expenses relating to our growth initiatives.

As a percentage of total revenues, research and development expenses were 2.9% and 3.1% for the three- and six-month periods ended September 30, 2007, respectively, as compared to 2.9% and 3.0%, respectively, for the same prior year periods. For the three- and six-month periods ended September 30, 2007, research and development expenses increased 3.0% and 6.7% to \$8.5 million and \$17.8 million, respectively, as compared to \$8.3 million and \$16.7 million, respectively, during the same prior year periods. Research and development expenses are influenced by the number and timing of in-process projects and labor hours and other costs associated with these projects. Our research and development initiatives continue to emphasize new product development, product improvements, and the development of new technological innovations. During the second quarter and first half of fiscal 2008, our investments in research and development continued to be focused on, but were not limited to, enhancing capabilities of delivery systems in the defense and industrial areas, sterile processing combination technologies, surgical tables and accessories, and the areas of emerging infectious agents such as Prions and Nanobacteria.

Our operating expenses include restructuring expenses. We recognize restructuring expenses as incurred as required under the provisions of SFAS No. 146. In addition, we assess the property, plant and equipment associated with the related facilities for impairment under SFAS No. 144. Asset impairment and accelerated depreciation expenses primarily relate to an adjustment to the carrying value of the related facilities to their estimated fair value. In addition, the remaining useful lives of other property, plant and equipment associated with the related operations were re-evaluated based on the respective restructuring plan, resulting in the acceleration of depreciation and amortization of certain assets.

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During the second quarter and first half of fiscal 2008, we recorded pre-tax expenses of \$1.4 million and \$3.3 million, including \$0.7 million and \$2.1 million classified as restructuring expenses, respectively. During the second quarter and first half of fiscal 2007, we recorded pre-tax expenses of \$3.3 million and \$5.7 million, including \$1.2 million and \$2.3 million classified as restructuring expenses, respectively. The expenses primarily relate to accelerated depreciation of assets, asset impairment costs, compensation and severance and termination benefits related to the transfer of our Erie, Pennsylvania manufacturing operations to Monterrey, Mexico, which was part of the Fiscal 2006 Restructuring Plan. The restructuring expenses recorded during the second quarter and first half of fiscal 2008 and fiscal 2007 are summarized in the following tables:

<i>(dollars in thousands)</i>	Fiscal 2006 Restructuring Plan Three Months Ended September 30,	
	2007	2006
Asset impairment and accelerated depreciation	\$ 729	\$ 564
Severance, payroll and other related costs	—	589
Other	4	5
Total restructuring charges	\$ 733	\$ 1,158

<i>(dollars in thousands)</i>	Fiscal 2006 Restructuring Plan Six Months Ended September 30,	
	2007	2006
Asset impairment and accelerated depreciation	\$ 1,787	\$ 1,269
Severance, payroll and other related costs	332	979
Other	4	15
Total restructuring charges	\$ 2,123	\$ 2,263

The costs incurred during the second quarter and first half of fiscal 2008 and fiscal 2007 are primarily associated with the Healthcare business segment. Since the inception of the Fiscal 2006 Restructuring Plan, we have incurred restructuring expenses of \$32.3 million, with restructuring expenses of \$31.9 million and \$0.4 million related to the Healthcare and Life Sciences segments, respectively.

We anticipate incurring approximately an additional \$2.8 million in restructuring expenses during the remainder of fiscal 2008 in connection with the transfer of the manufacturing operations to Mexico. Restructuring expenses to be incurred include compensation and benefits, severance, accelerated depreciation and other expenses.

Liabilities related to the Fiscal 2006 Restructuring Plan activities are recorded as current liabilities on the accompanying Consolidated Balance Sheets within "Accrued expenses and other." The following table summarizes our liabilities related to these restructuring activities:

<i>(dollars in thousands)</i>	Fiscal 2006 Restructuring Plan			September 30, 2007
	March 31, 2007	Fiscal 2008		
		Provision	Payments	
Severance and termination benefits	\$ 1,799	\$ 332	\$ (525)	\$ 1,606
Lease termination obligation	157	(13)	(144)	—
Total	\$ 1,956	\$ 319	\$ (669)	\$ 1,606

During the third quarter of fiscal 2007, we adopted a restructuring plan related to certain of our European operations (the "European Restructuring Plan"). For the three and six months ended September 30, 2007, we did not incur any additional restructuring expenses related to the European Restructuring Plan and settled certain termination benefits for less than originally expected. Since the inception of the plan, we have incurred

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restructuring expenses of \$1.7 million, with restructuring expenses of \$1.2 million and \$0.5 million related to the Healthcare and Life Sciences segments, respectively, primarily related to severance and termination benefits. We continue to evaluate our European operations for opportunities to enhance performance, but we have not committed to any additional specific restructuring actions.

Liabilities related to the European Restructuring Plan activities are recorded as current liabilities on the accompanying Consolidated Balance Sheets within "Accrued expenses and other." The following table summarizes our liabilities related to these restructuring activities:

<i>(dollars in thousands)</i>	European Restructuring Plan			
	March 31, 2007	Fiscal 2008		September 30, 2007
		Provision	Payments	
Severance and termination benefits	\$ 638	\$ (34)	\$ (502)	\$ 102
Lease termination obligation	219	(11)	(43)	165
Fixed asset impairment	105	—	(60)	45
Total	\$ 962	\$ (45)	\$ (605)	\$ 312

Non-Operating Expense, Net. Non-operating expense (income), net consists of interest expense on debt, offset by interest earned on cash, cash equivalents, short-term investment balances, and other miscellaneous income. The following table compares our non-operating expense (income), net for the three and six months ended September 30, 2007 to the three and six months ended September 30, 2006:

<i>(dollars in thousands)</i>	Three Months Ended September 30,		Change
	2007	2006	
Non-Operating Expense, Net:			
Interest Expense	\$ 1,478	\$ 2,376	\$ (898)
Interest and Miscellaneous Income	(614)	(801)	187
Total Non-Operating Expense, Net	\$ 864	\$ 1,575	\$ (711)
	Six Months Ended September 30,		Change
	2007	2006	
Non-Operating Expense, Net:			
Interest Expense	\$ 2,713	\$ 4,145	\$(1,432)
Interest and Miscellaneous Income	(1,076)	(1,480)	404
Total Non-Operating Expense, Net	\$ 1,637	\$ 2,665	\$(1,028)

Interest expense decreased \$0.9 million and \$1.4 million during the second quarter and first half of fiscal 2008, respectively, as compared to the same prior year periods as a result of lower average debt levels and lower average interest rates during both fiscal 2008 periods. Interest and miscellaneous income decreased \$0.2 million and \$0.4 million for the second quarter and first half of fiscal 2008, respectively, as compared to same prior year periods. This decrease was due to lower cash balances during both periods in fiscal 2008, which resulted in a smaller amount of interest earnings on those balances.

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Income Tax Expense. The following table compares our income tax expense and effective income tax rates for the three and six months ended September 30, 2007 to the three and six months ended September 30, 2006:

<i>(dollars in thousands)</i>	Three Months Ended September 30,		Change	Percent Change
	2007	2006		
Income Tax Expense	\$ 9,566	\$ 8,599	\$ 967	11.2%
Effective Income Tax Rate	37.4%	34.5%		
	Six Months Ended September 30,		Change	Percent Change
	2007	2006		
Income Tax Expense	\$17,157	\$18,913	\$(1,756)	-9.3%
Effective Income Tax Rate	37.0%	38.3%		

Income tax expense includes United States federal, state and local, and foreign income taxes, and is based on reported pre-tax income. The effective income tax rates for continuing operations for the three- and six-month periods ended September 30, 2007 were 37.4% and 37.0%, respectively, as compared to 34.5% and 38.3%, respectively, for the same prior year periods. The lower effective income tax rate for the second quarter of fiscal 2007 resulted principally from discrete item adjustments to recognize additional deferred tax assets related to foreign tax credits. During the first half of fiscal 2008, we benefited from discrete item adjustments resulting from income tax audits in the United States and Canada.

We record income tax expense during interim periods based on our estimate of the annual effective income tax rate, adjusted each quarter for discrete items. We analyze various factors to determine the estimated annual effective income tax rate, including projections of our annual earnings and taxing jurisdictions in which the earnings will be generated, the impact of state and local income taxes, our ability to use tax credits and net operating loss carryforwards, and available tax planning alternatives.

Business Segment Results of Operations. We operate and report in three business segments: Healthcare, Life Sciences, and STERIS Isomedix Services. Our Annual Report on Form 10-K for the year ended March 31, 2007, filed with the SEC on May 30, 2007, provides additional information about each business segment. The following table compares business segment revenues for the three and six months ended September 30, 2007 to the three and six months ended September 30, 2006:

<i>(dollars in thousands)</i>	Three Months Ended September 30,		Change	Percent Change
	2007	2006		
Revenues:				
Healthcare	\$206,684	\$197,094	\$ 9,590	4.9%
Life Sciences	53,525	52,951	574	1.1%
STERIS Isomedix Services	34,793	33,491	1,302	3.9%
Total Revenues	\$295,002	\$283,536	\$11,466	4.0%
	Six Months Ended September 30,		Change	Percent Change
	2007	2006		
Revenues:				
Healthcare	\$402,375	\$384,225	\$18,150	4.7%
Life Sciences	103,306	98,332	4,974	5.1%
STERIS Isomedix Services	70,265	66,046	4,219	6.4%
Total Revenues	\$575,946	\$548,603	\$27,343	5.0%

Healthcare Segment

Healthcare segment revenues represented 70.1% of total revenues for the second quarter of fiscal 2008 compared with 69.5% for the same prior year period. Healthcare revenues increased \$9.6 million, or 4.9%, to \$206.7 million for the quarter ended September 30, 2007, compared with \$197.1 million for the second quarter of fiscal 2007. The increase in Healthcare revenues was driven by strong growth in service and consumable revenues, with increases of 9.1% and 6.0%, respectively. Healthcare capital revenues increased 1.8% for the second quarter of fiscal 2008 as compared to the same prior year period. At September 30, 2007, the Healthcare segment's backlog amounted to \$94.0 million, representing an increase of \$24.5 million, or 35.2%, compared to the June 30, 2007 level and an increase of \$11.8 million, or 14.3%, compared to the September 30, 2006 level.

Healthcare segment revenues represented 69.9% of total revenues for the first six months of fiscal 2008 compared with 70.0% for the same prior year period. Healthcare revenues increased \$18.1 million, or 4.7%, to \$402.3 million for the six months ended September 30, 2007, as compared to \$384.2 million for the same prior year period. The increase is attributable to an increase in recurring revenues, particularly in the United States and Canadian markets, with a combined growth in consumable revenues and service revenues of 4.3% and 7.7%, respectively. Healthcare capital revenues for the first six months of fiscal 2008 grew 1.5% as compared to the same prior year period.

Life Sciences Segment

Life Sciences segment revenues represented 18.1% of total revenues for the second quarter of fiscal 2008 as compared to 18.7% for the comparable prior year quarter. Life Sciences revenues increased \$0.6 million, or 1.1%, to \$53.5 million for the quarter ended September 30, 2007, as compared to \$52.9 million for the second quarter of fiscal 2007. The increase in Life Sciences revenues was driven by increases in service and consumable revenues of 12.8% and 8.5%, respectively. This growth was partially offset by an 11.7% decline in capital revenues. However, strong demand late in the quarter caused backlog to increase to \$57.8 million at September 30, 2007, an increase of \$11.3 million, or 24.3%, compared to the backlog of \$46.5 million at June 30, 2007 and an increase of \$13.5 million, or 30.6%, compared to the September 30, 2006 level.

Life Sciences segment revenues represented 17.9% of total revenues for the first six months of fiscal 2008 and fiscal 2007. Life Sciences revenues increased \$5.0 million, or 5.1%, to \$103.3 million for the first half of fiscal 2008, as compared to \$98.3 million for the same prior year period. The increase in Life Sciences revenues was driven by a 10.1% increase in recurring revenues. This growth was partially offset by a 2.2% decline in capital revenues, period over period, associated primarily with capital equipment orders in the United States.

STERIS Isomedix Services Segment

STERIS Isomedix Services segment revenues represented 11.8% of total revenues for the second quarter of fiscal 2008 and fiscal 2007. The segment's revenues increased \$1.3 million, or 3.9% to \$34.8 million during the second quarter of fiscal 2008, as compared to \$33.5 million during the comparable prior year quarter. The growth in Isomedix revenues resulted from increased demand from our core medical device customers.

STERIS Isomedix Services segment revenues represented 12.2% of total revenues for the first six months of fiscal 2008 as compared to 12.0% for the comparable prior year period. The segment experienced revenue growth of \$4.2 million, or 6.4%, to \$70.3 million during the first half of fiscal 2008 as compared to \$66.0 million for the same prior year period. The growth in Isomedix revenues resulted from increased demand from our core medical device customers.

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The following table compares our business segment operating results for the three and six months ended September 30, 2007 to the three and six months ended September 30, 2006:

(dollars in thousands)	Three Months Ended September 30,		Change	Percent Change
	2007	2006		
Operating Income:				
Healthcare	\$18,517	\$20,426	\$(1,909)	-9.3%
Life Sciences	1,428	275	1,153	NM
STERIS Isomedix Services	6,503	5,833	670	11.5%
Total Operating Income	\$26,448	\$26,534	\$ (86)	-0.3%
	Six Months Ended September 30,		Change	Percent Change
	2007	2006		
Operating Income (Loss):				
Healthcare	\$33,730	\$41,539	\$(7,809)	-18.8%
Life Sciences	578	(1,038)	1,616	NM
STERIS Isomedix Services	13,707	11,494	2,213	19.3%
Total Operating Income	\$48,015	\$51,995	\$(3,980)	-7.7%

NM- Not meaningful

Segment operating income (loss) is calculated as the segment's gross profit less direct expenses and indirect cost allocations, which results in the full allocation of all distribution, corporate, and research and development expenses. Corporate cost allocations are based on each segment's portion of revenues, headcount, or other variables in relation to the total company. In addition, the Healthcare segment is responsible for the management of all but one manufacturing facility and uses standard costs to sell products to the Life Sciences segment.

Healthcare Segment

The Healthcare segment's operating income decreased \$1.9 million and \$7.8 million for the second quarter and first six months of fiscal 2008, respectively, as compared to the same prior year periods. The segment's operating margins were 9.0% and 8.4% for the second quarter and first half of fiscal 2008, respectively, representing decreases of 140 basis points and 240 basis points, respectively, as compared to prior year periods. Improved pricing and productivity improvements gained from the transfer of manufacturing operations from Erie, Pennsylvania to Monterrey, Mexico were partially offset in the second quarter and more than offset in the first half of fiscal 2008 by significant increases in raw material costs over the same prior year periods. The Healthcare segment also incurred higher operating costs related to continued investments in the development and marketing of new products and added selling expenses related to growth initiatives.

Life Sciences Segment

The Life Sciences segment had operating income of \$1.4 million and \$0.6 million for the second quarter and first six months of fiscal 2008, respectively, as compared to operating income of \$0.3 million and an operating loss of \$1.0 million for the same prior year periods. The improvement in operating performance was primarily driven by higher gross margin service and consumable revenues as compared to the same prior year periods.

STERIS Isomedix Services Segment

The STERIS Isomedix Services segment's operating income increased \$0.7 million and \$2.2 million for the second quarter and first six months of fiscal 2008, respectively, as compared to the same prior year periods. The segment's operating margins were 18.7% and 19.5% for the second quarter and first half of fiscal 2008,

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representing increases of 130 basis points and 210 basis points, respectively, over the comparable prior year periods. The segment's margins reflect increased volumes on a relatively fixed cost base.

Liquidity and Capital Resources. The following table summarizes significant components of our cash flows for the six months ended September 30, 2007 and 2006:

Cash Flows

<i>(dollars in thousands)</i>	Six Months Ended	
	September 30,	
	2007	2006
Operating activities:		
Net income	\$ 29,221	\$ 31,044
Non-cash items	33,791	28,533
Changes in operating assets and liabilities, excluding the effects of business acquisitions	(10,287)	(41,317)
Net cash provided by operating activities	\$ 52,725	\$ 18,260
Investing activities:		
Purchases of property, plant, equipment, and intangibles, net	\$(21,591)	\$(21,419)
Proceeds from the sale of property, plant, equipment, and intangibles	31	—
Proceeds from the sale of discontinued operations	—	2,927
Net cash used in investing activities	\$(21,560)	\$(18,492)
Financing activities:		
Proceeds under credit facilities, net	\$ 24,090	\$ 32,555
Payments on long-term obligations and capital leases, net	—	(361)
Repurchases of common shares	(54,476)	(59,628)
Cash dividends paid to common shareholders	(7,112)	(5,272)
Stock option and other equity transactions, net	13,008	2,376
Net cash used in financing activities	\$(24,490)	\$(30,330)
Effect of exchange rate changes on cash and cash equivalents	2,592	2,737
Increase (decrease) in cash and cash equivalents	\$ 9,267	\$(27,825)
Debt-to-capital ratio	14.0%	17.2%
Free cash flow	\$ 31,165	\$ (3,159)

Net Cash Provided by Operating Activities. The net cash provided by our operating activities was \$52.7 million for the first six months of fiscal 2008 compared with \$18.3 million for the first six months of fiscal 2007. The following discussion summarizes the significant changes in our operating cash flows:

- Non-cash items- Our non-cash items include depreciation, depletion, and amortization, share-based compensation expense, changes in deferred income taxes, and other items. Non-cash items were \$33.8 million for the first six months of fiscal 2008 compared with \$28.5 million for the first six months of fiscal 2007. Significant changes in these items for the first half of fiscal 2008 as compared to the same prior year period are summarized below:
 - Depreciation, depletion, and amortization- Depreciation, depletion, and amortization is the most significant component of non-cash items. This expense totaled \$31.5 million and \$29.7 million for the first six months of fiscal 2008 and 2007, respectively. The \$1.8 million increase in this expense was primarily the result of recording accelerated depreciation and loss on the disposal of certain assets included in the Fiscal 2006 Restructuring Plan.

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- Share-based compensation expense- We recorded non-cash share-based compensation expense of \$4.2 million and \$5.8 million for the first six months of fiscal 2008 and fiscal 2007, respectively. The decline of \$1.6 million reflects a decline in the number of options granted and subject to amortization in the current fiscal year.
- Deferred income taxes- Our deferred income tax benefits increased \$2.6 million for the first half of fiscal 2008, compared with an increase of \$7.2 million for the first half of fiscal 2007 due to the timing and recognition of settlements.
- Working Capital- Excluding the impact of foreign currency translation adjustments, changes to our working capital totaled a negative \$10.3 million and a negative \$41.3 million during the first six months of fiscal 2008 and fiscal 2007, respectively. Significant changes in our working capital for the first half of fiscal 2008 as compared to the first half of fiscal 2007 are summarized below:
 - Accounts receivable, net- Our net accounts receivable balances decreased \$43.7 million during the first six months of fiscal 2008 as compared to a decrease of \$43.6 million for the same prior year period. Our accounts receivable balances may change from period to period due to the timing of revenues and customer payments. Accounts receivable days sales outstanding decreased to 63 days at September 30, 2007, from 77 days at March 31, 2007 and remained flat compared to the September 30, 2006 level. The decrease in the balance of accounts receivable and days sales outstanding from the March 31, 2007 level is reflective of lower revenues for the second quarter of fiscal 2008 as compared to the fourth quarter of fiscal 2007 and improvements in collections.
 - Inventories, net- Our net inventory balances increased \$20.8 million during the first six months of fiscal 2008 as compared to an increase of \$27.1 million for the same prior year period. Inventory balances in fiscal 2008 reflect higher levels of inventory related to the impact of increased raw material costs, new product and service initiatives, and targeted inventory production levels in anticipation of increased volumes in the second half of fiscal 2008.
 - Other current assets- Our other current assets primarily consist of prepaid expenses for insurance, taxes, and other general corporate items. Other current assets decreased \$0.6 million during the first six months of fiscal 2008. The increase of \$19.4 million during the first half of fiscal 2007 was primarily driven by a portion of the tax payment made during the first quarter of fiscal 2007 which remains on deposit with the IRS, subject to final resolution of certain matters under audit.
 - Accounts payable, net- Our net accounts payable balances decreased \$15.8 million during the first six months of fiscal 2008 as compared to a decrease of \$21.3 million for the same prior year period. Cash flows related to accounts payable may change from period to period due to varying payment due dates and other terms of our accounts payable obligations.
 - Accruals and other, net- Our net accruals and other liabilities balances decreased \$16.8 million during the first six months of fiscal 2008, reflecting payments made in the first quarter of fiscal 2008 against amounts accrued in fiscal 2007 for incentive compensation and federal income taxes. During the first half of fiscal 2007, our net accruals and other liabilities balances decreased \$17.1 million, primarily due to the application of approximately \$9.9 million in tax payments made in the first quarter to open tax years, a \$3.1 million contribution we made to our United States defined benefit pension plan in September 2006, and an additional \$3.0 million for the settlement of a fiscal 2006 accrual for the termination of certain long-term marketing contracts. Cash flows related to our accruals and other liabilities balances will change from period to period due to the timing of accruals and payments under our incentive compensation programs. Accruals under our various incentive compensation programs rise during the course of the fiscal year and decline significantly in the first fiscal quarter as payments are made under these programs. Changes in accruals for deferred revenues also contribute to the increase or decrease in these balances.

Net Cash Used In Investing Activities. The net cash we used in investing activities totaled \$21.6 million for the first six months of fiscal 2008 compared with \$18.5 million for the first six months of fiscal 2007. The

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following discussion summarizes the significant changes in our investing cash flows for the first half of fiscal 2008 as compared to the first half of fiscal 2007:

- Purchases of property, plant, equipment, and intangibles, net- Capital expenditures were \$21.6 million for the first half of fiscal 2008 compared with \$21.4 million during the same prior year period.
- Proceeds from the sale of discontinued operations- During the first six months of fiscal 2007, we recorded additional proceeds of \$2.9 million for the October 31, 2005 sale of our freeze dryer product line.

Net Cash Used In Financing Activities. The net cash we used in financing activities totaled \$24.5 million for the first six months of fiscal 2008 compared with \$30.3 million for the first six months of fiscal 2007. The following discussion summarizes the significant changes in our financing cash flows for the first half of fiscal 2008 as compared to the first half of fiscal 2007:

- Net proceeds under credit facilities- We borrowed \$24.1 million and \$32.6 million under our revolving credit facilities during the first six months of fiscal 2008 and fiscal 2007, respectively. Proceeds borrowed are generally used to fund share repurchases and working capital changes. Working capital changes during the first half of fiscal 2007 included a \$27.6 million payment to the IRS for taxes previously incurred.
- Repurchases of common shares- The Company's Board of Directors has provided authorization to repurchase the Company's common shares. During the first half of fiscal 2008, we paid for the repurchase of 1,911,631 of our common shares at an average purchase price of \$28.50 per common share. During the first half of fiscal 2007, we paid for the repurchase of 2,585,300 of our common shares at an average purchase price of \$23.06 per common share.
- Cash dividends paid to common shareholders- During the first six months of fiscal 2008 and fiscal 2007, we paid cash dividends totaling \$0.11 and \$0.08 per outstanding common share, respectively. Total cash dividends paid during the first half of fiscal 2008 and fiscal 2007 amounted to \$7.1 million and \$5.3 million, respectively.
- Stock option and other equity transactions, net- We receive cash for issuing common shares under our various employee stock option programs. During the first six months of fiscal 2008 and 2007, we received cash proceeds totaling \$10.6 million and \$2.4 million, respectively, under these programs.

Cash Flow Measures. Free cash flow was \$31.2 million in the first half of fiscal 2008 compared to negative \$3.2 million in the prior year first half. The fiscal 2007 first half negative free cash flow of \$3.2 million was a result of working capital changes, including approximately \$27.6 million in payments to the IRS for taxes previously recognized. Our debt-to-capital ratio increased to 14.0% at September 30, 2007 from 11.6% at March 31, 2007 reflecting increased borrowings utilized to fund working capital changes and common share repurchases.

Sources of Credit and Contractual and Commercial Commitments. Information related to our sources of credit and contractual and commercial commitments is included in our Annual Report on Form 10-K for the year ended March 31, 2007, filed with the SEC on May 30, 2007. Our commercial commitments were approximately \$30.5 million at September 30, 2007 reflecting an increase of \$4.6 million in surety bonds and other commercial commitments from March 31, 2007. Our contractual commitments have not changed materially from March 31, 2007.

On September 13, 2007, we signed the Second Amended and Restated Credit Agreement (the "Credit Agreement") with KeyBank National Association, as administrative agent for the lending institutions that are

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parties to the Credit Agreement (the “Agent”), and the other lenders that may from time to time be a party to the Credit Agreement. This Credit Agreement amends, restates, and replaces our Amended and Restated Credit Agreement dated March 29, 2004, as amended, which was to mature in June 2010. The Credit Agreement matures on September 13, 2012 and provides \$400.0 million of credit, which may be increased by up to an additional \$100.0 million in specified circumstances, for borrowings and letters of credit. A floating interest rate is applied to amounts borrowed as defined in the Credit Agreement or a fixed rate may be applied based on the Eurodollar Rate or other defined currency rate, plus a margin based on our leverage ratio. Interest is payable quarterly or at the end of the interest period, if shorter. We may prepay floating rate loans without paying a penalty, but we may be required to pay a penalty for prepaying fixed rate loans. The Credit Agreement also allows us to make short term swing loan borrowings not to exceed \$35.0 million, with an interest rate equal to the Agent’s cost of funds plus a margin. Our obligations under the Credit Agreement are unsecured but guaranteed by our material domestic subsidiaries.

At September 30, 2007, the maximum amount available under this Credit Agreement was \$354.6 million. The maximum aggregate borrowing limit of \$400.0 million under the Credit Agreement is reduced by outstanding amounts (\$24.1 million) and letters of credit issued (\$21.3 million) under a sub-limit within the Credit Agreement.

Cash Requirements. Currently, we intend to use our existing cash and cash equivalent balances, cash generated from operations, and our existing Credit Agreement for short-term and long-term capital expenditures and our other liquidity needs. We believe that these amounts will be sufficient to meet working capital needs, capital requirements, and commitments for at least the next twelve months. However, our capital requirements will depend on many uncertain factors, including our rate of sales growth, our customers’ acceptance of our products and services, the costs of obtaining adequate manufacturing capacities, the timing and extent of our research and development projects, and changes in our operating expenses. To the extent that our existing sources of cash are not sufficient to fund our future activities, we may need to raise additional funds through additional borrowings or selling equity securities. We cannot assure you that we will be able to obtain additional funds on terms favorable to us, or at all.

Critical Accounting Policies, Estimates, and Assumptions. We adopted FIN No. 48 effective April 1, 2007, which provides guidance for the recognition and measurement of tax positions taken or expected to be taken on a tax return. In accordance with FIN No. 48, we recorded a cumulative-effect adjustment of \$8.4 million, increasing our liability for unrecognized tax benefits, interest, and penalties and reducing the April 1, 2007 balance of retained earnings.

Additional information regarding our adoption of FIN No. 48 is included in note 1 titled, “Nature of Operations and Summary of Significant Accounting Policies,” and in note 8 titled, “Income Tax Expense” of our accompanying consolidated financial statements.

Information related to our critical accounting policies, estimates, and assumptions is included in our Annual Report on Form 10-K for the year ended March 31, 2007, filed with the SEC on May 30, 2007. Our critical accounting policies, estimates, and assumptions have not changed materially from March 31, 2007, other than for the adoption of FIN No. 48 as described above.

Contingencies. We are involved in various patent, product liability, consumer, environmental, tax proceedings and claims, governmental investigations, and other legal and regulatory proceedings that arise from time to time in the ordinary course of business. In accordance with Statement of Financial Accounting Standards No. 5, “Accounting for Contingencies,” we record accruals for such contingencies to the extent that we conclude that their occurrence is both probable and estimable. We consider many factors in making these assessments, including the professional judgment of experienced members of management and our legal counsel. We have made estimates as to the likelihood of unfavorable outcomes and the amounts of such potential losses. In our opinion, the ultimate outcome of these proceedings and claims is not anticipated to have a material adverse effect

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on our consolidated financial position, results of operations, or cash flows. However, the ultimate outcome of litigation is unpredictable and actual results could be materially different from our estimates. We record anticipated recoveries under applicable insurance contracts when assured of recovery.

The IRS routinely conducts audits of our federal income tax returns. During the fourth quarter of fiscal year 2006, we entered the appeals phase relative to audit results for fiscal years 1999 through 2001. The IRS began an audit of fiscal years 2002 through 2005 in fiscal year 2007. We also remain subject to tax authority audits in various other jurisdictions in which we operate.

We record accruals for tax positions taken or expected to be taken in a tax return in accordance with the provisions of FIN No. 48. If we were to prevail in matters for which accruals have been established, or is required to pay amounts in excess of established accruals, our effective income tax rate in a given financial statement period could be materially impacted.

International Operations. Since we conduct operations outside the United States using various foreign currencies, our operating results are impacted by foreign currency movements relative to the U.S. dollar. During the second quarter of fiscal 2008, our revenues were favorably impacted by \$3.2 million, or 1.1%, and income before taxes was favorably impacted by \$0.6 million, or 2.6%, when compared to the same period in fiscal 2007, as a result of foreign currency movements relative to the U.S. dollar. During the first half of fiscal 2008, our revenues were favorably impacted by \$5.4 million, or 0.9%, and income before taxes was unfavorably impacted by \$1.1 million, or 2.4%, when compared to the same period in fiscal 2007, as a result of foreign currency movements relative to the U.S. dollar. We have taken steps to reduce the foreign currency volatility by converting foreign currency denominated inter-company loans to equity for certain foreign legal entities. We cannot predict future changes in foreign currency exchange rates or the effect they will have on our operations.

Forward-Looking Statements. This Quarterly Report on Form 10-Q may contain statements concerning certain trends, expectations, forecasts, estimates, or other forward-looking information affecting or relating to us or our industry that are intended to qualify for the protections afforded “forward-looking statements” under the Private Securities Litigation Reform Act of 1995 and other laws and regulations. Forward-looking statements speak only as to the date of this report, and may be identified by the use of forward-looking terms such as “may,” “will,” “expects,” “believes,” “anticipates,” “plans,” “estimates,” “projects,” “targets,” “forecasts,” and “seeks,” or the negative of such terms or other variations on such terms or comparable terminology. Many important factors could cause actual results to be materially different from those in the forward-looking statements including, without limitation, disruption of production or supplies, changes in market conditions, political events, pending or future claims or litigation, competitive factors, technology advances, and changes in government regulations or the application or interpretation thereof. Many of these important factors are outside of our control. No assurances can be provided as to any future financial results. Unless legally required, we do not undertake to update or revise any forward-looking statements even if events make clear that any projected results, express or implied, will not be realized. Other potential risks and uncertainties that could cause actual results to be materially different from those in the forward-looking statements include, without limitation, (a) the potential for increased pressure on pricing or raw material cost that leads to erosion of profit margins, (b) the possibility that market demand will not develop for new technologies, products or applications, or that our business initiatives will take longer, cost more or produce lower benefits than anticipated, (c) the possibility that application of or compliance with laws, court rulings, regulations, certifications or other requirements or standards may delay or prevent new product introductions, affect the production and marketing of existing products, or otherwise affect our performance, results, or value, (d) the potential of international unrest or effects of fluctuations in currencies, tax assessments or rates, raw material costs, benefit or retirement plan costs, or other regulatory compliance costs, (e) the possibility of reduced demand, or reductions in the rate of growth in demand, for our products and services, (f) the possibility that anticipated cost savings may not be achieved, or that transition, labor, competition, timing, execution, regulatory, governmental or other issues or risks associated with our expansion, transfer, executive recruitment or retention, or other initiatives may adversely impact our performance, results, or

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value, and (g) those risks described in our Annual Report on Form 10-K for the year ended March 31, 2007, filed with the SEC on May 30, 2007, under Item 1A, “Risk Factors.”

Availability of Securities and Exchange Commission Filings. We make available free of charge on or through our website, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to these reports as soon as reasonably practicable after we file such material with, or furnish such material to, the SEC. You may access these documents on the Investor Relations page of our website at <http://www.steris-ir.com>. The information on our website is not incorporated by reference into this report. You may also obtain copies of these documents by visiting the SEC’s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549, or by accessing the SEC’s website at <http://www.sec.gov>. You may obtain information on the Public Reference Room by calling the SEC at 1-800-SEC-0330.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the ordinary course of business, we are subject to interest rate, foreign currency, and commodity risks. Information related to these risks and our management of these exposures is included in Part II, Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” included in our Annual Report on Form 10-K for the year ended March 31, 2007, filed with the SEC on May 30, 2007. Our exposures to market risks have not changed materially since March 31, 2007.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision of and with the participation of our management, including the Principal Executive Officer (“PEO”) and Principal Financial Officer (“PFO”), we evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as of the end of the period covered by this Quarterly Report. Based on that evaluation, including the assessment and input of our management, the PEO and PFO concluded that, as of September 30, 2007, our disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934, that occurred during the quarter ended September 30, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may be involved in a number of legal proceedings and claims, which we believe arise from the ordinary course of our business, given our size, history, complexity, nature of our business, and industries in which we participate. These legal proceedings and claims generally involve a variety of legal theories and allegations, including without limitation, personal injury (e.g., slip and falls, automobile accidents), product liability (e.g., based on the operation or claimed malfunction of products), product exposure (e.g., claimed exposure to chemicals, asbestos, contaminants), property damage (e.g., claimed damage due to leaking equipment, fire), economic loss (e.g., breach of contract, other commercial claims), employment (e.g., wrongful termination), and other claims for damage and relief.

The FDA and the United States Department of Justice are continuing an investigation involving our SYSTEM 1® sterile processing system. We have received requests for documents in connection with the investigation. We continue to respond to these requests and cooperate with the government agencies regarding this matter. There can be no assurance that the ultimate outcome of the investigation will not result in an action by the government agencies or that the government agencies will not initiate administrative proceedings, civil proceedings or criminal proceedings, or any combination thereof, against us.

We believe we have adequately reserved for our current litigation and that the ultimate outcome of pending lawsuits and claims will not have a material adverse effect on our consolidated financial position or results of operations taken as a whole. Due to their inherent uncertainty, however, there can be no assurance of the ultimate outcome of current or future litigation, proceedings, investigations, or claims or their effect. We presently maintain product liability insurance coverage, and other liability coverage in amounts and with deductibles that we believe are prudent, but there can be no assurance that these coverages will be applicable or adequate to cover adverse outcomes of claims against us.

From time to time, STERIS is also involved in legal proceedings as a plaintiff involving contract, patent protection, and other claims asserted by us. Gains, if any, from these proceedings are recognized when they are realized.

We believe there have been no material recent developments concerning our legal proceedings since March 31, 2007 and no new material pending legal proceedings are required to be reported.

ITEM 1A. RISK FACTORS

We believe there have been no material changes to the risk factors included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2007, filed with the SEC on May 30, 2007, that would materially affect our business, results of operations, or financial condition.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the second quarter of fiscal 2008, we repurchased 1,244,400 of our common shares. These repurchases were pursuant to a single repurchase program which was approved by the Company's Board of Directors and announced on July 26, 2007. This common share repurchase authorization replaced the common share repurchase authorization of July 27, 2006, under which 1,886,869 shares remained available for repurchase,

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and does not have a stated maturity date. The following table summarizes the common shares repurchased during the second quarter of fiscal 2008 under our common share repurchase program:

	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans	(d) Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans
July 1-31	175,000	\$ 28.00	175,000	\$ 295,099,546
August 1-31	809,600	\$ 27.72	809,600	\$ 272,660,665
September 1-30 (2)	259,800	\$ 27.12	259,800	\$ 265,615,049
Total	1,244,400	\$ 27.63	1,244,400	\$ 265,615,049

- (1) Does not include approximately 10 shares purchased during the quarter at an average price of \$28.39 per share by the STERIS Corporation 401(k) Plan on behalf of an executive officer who may be deemed to be an affiliated purchaser.
- (2) Includes 41,700 shares repurchased at an average price of \$27.44 that were not settled until October 2007.

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

The shareholders of the Company voted on the following items at the Annual Meeting of Shareholders held on July 26, 2007:

(a) All of the persons named below were elected as Directors of the Company for a term expiring at the Annual Meeting of Shareholders in 2008. Votes cast for and withheld from each of such persons were as follows:

	FOR	WITHHELD
Cynthia L. Feldmann	61,291,762	428,844
Jacqueline B. Kosecoff	61,299,650	420,956
Raymond A. Lancaster	58,024,994	3,695,612
Kevin M. McMullen	61,279,152	441,454
J.B. Richey	58,662,676	3,057,930
Mohsen M. Sohi	61,272,826	447,780
John P. Wareham	61,286,936	433,670
Loyal W. Wilson	58,025,207	3,695,399
Michael B. Wood	61,303,105	417,501

(b) Votes regarding the proposal to approve certain amendments to the Company's Amended and Restated Code of Regulations relating to a new NYSE requirement regarding uncertificated shares were as follows:

FOR	AGAINST	ABSTAIN	BROKER-NON-VOTES
61,456,543	119,324	144,744	—

(c) Votes regarding the proposal to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ended March 31, 2008 were as follows:

FOR	AGAINST	ABSTAIN
61,517,696	109,111	93,802

ITEM 6. EXHIBITS

Exhibits required by Item 601 of Regulation S-K

<u>Exhibit Number</u>	<u>Exhibit Description</u>
3.1	1992 Amended Articles of Incorporation of STERIS Corporation, as amended on May 14, 1996, November 6, 1996, and August 6, 1998 (filed as Exhibit 3.1 to Form 10-K filed for the fiscal year ended March 31, 2000 (Commission File No. 1-14643), and incorporated herein by reference).
3.2	Amended and Restated Regulations of STERIS Corporation, as amended on July 26, 2007 (filed as Exhibit 3.2 to Form 10-Q for the fiscal quarter ended June 30, 2007 (Commission File No. 1-14643), and incorporated herein by reference).
4.1	Specimen Form of Common Stock Certificate (filed as Exhibit 4.1 to Form 10-K filed for the fiscal year ended March 31, 2002 (Commission File No. 1-14643), and incorporated herein by reference).
10.1	Second Amended and Restated Credit Agreement dated September 13, 2007 among STERIS Corporation, KeyBank National Association, as agent for the lenders from time to time party thereto, and such lenders.
10.2	Guaranty Supplement dated September 25, 2007 by HSTD LLC and STERIS Corporation.
10.3	Employment Agreement dated September 7, 2007 between STERIS Corporation and Walter M. Rosebrough, Jr.
10.4	Agreement dated September 7, 2007 between STERIS Corporation and Mr. Rosebrough.
10.5	STERIS Corporation Form of Restricted Stock Unit Agreement for Employees.
15.1	Letter Re: Unaudited Interim Financial Information.
31.1	Certification of the Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURE

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

STERIS Corporation

/s/ MICHAEL J. TOKICH
Michael J. Tokich
Vice President and Corporate Controller
November 8, 2007

EXHIBIT INDEX

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SECOND AMENDED AND RESTATED CREDIT AGREEMENT

among

STERIS CORPORATION,
as Borrower,

THE LENDING INSTITUTIONS PARTIES HERETO
as Lenders,

KEYBANK NATIONAL ASSOCIATION,
*as Agent, Lead Arranger
and Book Runner,*

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION,
as Co-Syndication Agent,

PNC BANK NATIONAL ASSOCIATION,
as Co-Syndication Agent,

NATIONAL CITY BANK,
as Co-Documentation Agent,

BMO CAPITAL MARKETS FINANCING INC.,
as Co-Documentation Agent

dated as of September 13, 2007

This SECOND AMENDED AND RESTATED CREDIT AGREEMENT (as the same may from time to time be amended, restated or otherwise modified, this "Agreement") is effective as of September 13, 2007, among:

- (a) STERIS CORPORATION, an Ohio corporation ("*Borrower*");
- (b) the lending institutions listed on *Schedule 1* hereto and each other lending institution that becomes a party hereto pursuant to Section 2.10(b), Section 2.13 or Section 10.10 hereof (collectively, the "*Lenders*" and, individually, each a "*Lender*");
- (c) KEYBANK NATIONAL ASSOCIATION, as administrative agent for the Lenders under this Agreement (together with any successor agent appointed pursuant to Section 9.10 hereof, "*Agent*") and as Lead Arranger and Book Runner;
- (d) LASALLE BANK NATIONAL ASSOCIATION, as the LC Issuer (as hereinafter defined)
- (e) JPMORGAN CHASE BANK, NATIONAL ASSOCIATION, as Co-Syndication Agent;
- (f) PNC BANK NATIONAL ASSOCIATION, as Co-Syndication Agent;
- (g) NATIONAL CITY BANK, as Co-Documentation Agent; and
- (h) BMO CAPITAL MARKETS FINANCING INC., as Co-Documentation Agent.

INTRODUCTORY STATEMENTS:

- A. Borrower, Agent, and certain financial institutions (collectively, the "*Original Lenders*") are parties to the Amended and Restated Credit Agreement, dated as of March 29, 2004 (as amended or otherwise modified prior to the date hereof, the "*Original Credit Agreement*"), and the parties thereto wish to make certain modifications thereto.
- B. Borrower has requested that the Original Credit Agreement be amended and restated to make certain modifications thereto.
- C. The Lenders and Agent are agreeable to Borrower's request and to amending and restating the Original Credit Agreement, upon the terms and subject to the conditions set forth below.

AGREEMENT:

In consideration of the premises and mutual agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties hereto, the parties hereto agree that on the Closing Date (as hereinafter defined), upon the satisfaction of the conditions set forth in Section 6.02, the Original Credit Agreement shall be amended and restated to read in its entirety as follows:

**ARTICLE I.
DEFINITIONS**

Section 1.01 *Definitions*. As used in this Agreement, the following terms shall have the following meanings:

“*Acquisition*” means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of any Person (other than a Company), or any business or division of any Person (other than a Company), (b) the acquisition of in excess of 50% of the stock (or other equity interest) of any Person (other than a Company), or (c) the acquisition of another Person (other than a Company) by a merger, amalgamation or consolidation or any other combination with such Person.

“*Advantage*” means any payment (whether made voluntarily or involuntarily, by offset of any deposit or other indebtedness or otherwise) received by any Lender in respect of the Debt, if such payment results in that Lender having less than its pro rata share of the outstanding Debt, than was the case immediately before such payment.

“*Affiliate*” means any Person, directly or indirectly, controlling, controlled by or under common control with a Company and “control” (including the correlative meanings, the terms “controlling”, “controlled by” and “under common control with”) means the power, directly or indirectly, to direct or cause the direction of the management and policies of a Company, whether through the ownership of voting securities, by contract or otherwise.

“*Agent*” has the meaning provided in the first paragraph of this Agreement.

“*Agent Fee Letter*” means the fee letter between Borrower and Agent, dated as of August 10, 2007, as the same may from time to time be amended, restated or otherwise modified.

“*Agreement*” has the meaning provided in the first paragraph of the preamble hereto.

“*Alternate Currency*” means Euros, Canadian dollars, Australian dollars, British pounds, Swedish kronas, Swiss franc, Japanese yen or any other currency, other than Dollars, agreed to by Agent and each Lender that shall be freely transferable and convertible into Dollars.

“*Alternate Currency Exposure*” shall mean, at any time, the sum of (a) the aggregate principal Dollar Equivalent amount of all Alternate Currency Loans outstanding and (b)(i) the Dollar Equivalent of the aggregate undrawn face amount of all issued and outstanding Alternate Currency Letters of Credit and (ii) the Dollar Equivalent of the aggregate amount of the draws made on Alternate Currency Letters of Credit that have not been reimbursed by Borrower or converted to a Revolving Loan pursuant to Section 2.02(c)(i) hereof.

“*Alternate Currency Letter of Credit*” means a Letter of Credit that is denominated in an Alternate Currency.

“*Alternate Currency Loan*” means a Revolving Loan described in Section 2.02(a) hereof that is denominated in an Alternate Currency on which Borrower shall pay interest at a rate based upon the Alternate Currency Rate.

“*Alternate Currency Rate*” means, with respect to an Alternate Currency Loan, for any Interest Period, a rate per annum equal to the quotient obtained (rounded upwards, if necessary, to the nearest 1/16th of 1%) by dividing (a) the rate of interest, determined by Agent in accordance with its usual procedures (which determination shall be conclusive absent manifest error) as of approximately 11:00 A.M. (London time) two Business Days prior to the beginning of such Interest Period pertaining to such Alternate Currency Loan, as listed on British Bankers Association Interest Rate LIBOR 01 or 02 as provided by Reuters (or, if for any reason such rate is unavailable from Reuters, from any other similar company or service that provides rate quotations comparable to those currently provided by Reuters) as the rate in the London interbank market for deposits in the relevant Alternate Currency in immediately available funds with a maturity comparable to such Interest Period, *provided* that, in the event that such rate quotation is not available for any reason, then the Alternate Currency Rate shall be the

average (rounded upward to the nearest 1/16th of 1%) of the per annum rates at which deposits in immediately available funds in the relevant Alternate Currency for the relevant Interest Period and in the amount of the Alternate Currency Loan to be disbursed or to remain outstanding during such Interest Period, as the case may be, are offered to Agent (or an affiliate of Agent, in Agent's discretion) by prime banks in any Alternate Currency market reasonably selected by Agent, determined as of 11:00 A.M. (London time) (or as soon thereafter as practicable), two Business Days prior to the beginning of the relevant Interest Period pertaining to such Alternate Currency Loan hereunder; by (b) 1.00 minus the Reserve Percentage.

"*Anti-Terrorism Law*" means the USA Patriot Act or any other law pertaining to the prevention of future acts of terrorism, in each case as such law may be amended from time to time.

"*Applicable Facility Fee Rate*" means:

for the period from the Closing Date through November 30, 2007, 8.00 basis points; and

commencing with the financial statements for the fiscal quarter ending September 30, 2007, the number of basis points set forth in the following matrix, based upon the result of the computation of the Leverage Ratio, shall be used to establish the number of basis points that will go into effect on December 1, 2007, and thereafter:

<u>Leverage Ratio</u>	<u>Applicable Basis Points</u>
Greater than or equal to 2.50 to 1.00	15.00
Greater than or equal to 2.00 to 1.00 but less than 2.50 to 1.00	12.50
Greater than or equal to 1.50 to 1.00 but less than 2.00 to 1.00	10.00
Greater than or equal to 1.00 to 1.00 but less than 1.50 to 1.00	9.00
Less than 1.00 to 1.00	8.00

Changes to the Applicable Facility Fee Rate shall be effective on the first day of the first calendar month after the date upon which Agent received, or, if earlier, Agent should have received, pursuant to Section 5.03 (a)(i) or (ii) hereof, the financial statements of Borrower. Nothing set forth in this definition shall be deemed to modify or waive, in any respect, the requirements of Section 5.07 hereof, the rights of Agent and the Lenders to charge the Default Rate, or the rights and remedies of Agent and the Lenders pursuant to Articles VII and VIII hereof.

"*Applicable Margin*" means:

for the period from the Closing Date through November 30, 2007, (i) 29.50 basis points for Fixed Rate Loans and Swing Loans, and (ii) 0 basis points for Base Rate Loans; and

commencing with the financial statements for the fiscal quarter ending September 30, 2007, the number of basis points set forth in the following matrix, based upon the result of the computation of the Leverage Ratio, shall be used to establish the number of basis points that will go into effect on December 1, 2007 and thereafter:

<u>Leverage Ratio</u>	<u>Applicable Basis Points for Fixed Rate Loans and Swing Loans</u>	<u>Applicable Basis Points for Base Rate Loans</u>
Greater than or equal to 2.50 to 1.00	60.00	0
Greater than or equal to 2.00 to 1.00 but less than 2.50 to 1.00	50.00	0
Greater than or equal to 1.50 to 1.00 but less than 2.00 to 1.00	40.00	0
Greater than or equal to 1.00 to 1.00 but less than 1.50 to 1.00	33.50	0
Less than 1.00 to 1.00	29.50	0

Changes to the Applicable Margin shall be effective on the first day of the first calendar month after the date upon which Agent received, or, if earlier, Agent should have received, pursuant to Section 5.03 (a)(i) or (ii) hereof, the financial statements of Borrower. Nothing set forth in this definition shall be deemed to modify or waive, in any respect, the requirements of Section 5.07 hereof, the rights of Agent and the Lenders to charge the Default Rate, or the rights and remedies of Agent and the Lenders pursuant to Articles VII and VIII hereof.

"*Approved Derivatives Contract*" means (a) a Hedge Agreement entered into in the ordinary course of business and not for speculative purposes, or (b) a commodities contract purchased by a Company in the ordinary course

of business, and not for speculative purposes, with respect to aluminum, steel, nickel or any other metal necessary to the manufacturing of goods in connection with the business of such Company.

“*Assignment Agreement*” means an Assignment and Assumption Agreement in the form of the attached *Exhibit G*.

“*Augmenting Lender*” has the meaning provided in Section 2.10(b).

“*Base Rate*” means a rate per annum equal to the greater of (a) the Prime Rate or (b) one-half of one percent (1/2%) in excess of the Federal Funds Effective Rate. Any change in the Base Rate shall be effective immediately from and after such change in the Base Rate.

“*Base Rate Loan*” means a Revolving Loan described in Section 2.10(b) hereof, that shall be denominated in Dollars and on which Borrower shall pay interest at a rate based on the Base Rate.

“*Board Approved Short-Term Investment*” means (a) any investment by a Company that is authorized by Borrower’s investment guidelines as approved by the Board of Directors of Borrower and as in effect on the Closing Date and (b) any investment by a Company that is authorized by any amendment or modification to, or replacement of, Borrower’s investment guidelines as approved by the Board of Directors of Borrower and in effect on the Closing Date, so long as, in the case of any material amendment or modification to, or replacement of, the same has been approved in writing by Agent, which approval shall not be unreasonably withheld.

“*Borrower*” has the meaning provided in the first paragraph of this Agreement.

“*Business Day*” means, (a) with respect to any Eurodollar Loan, a day of the year on which dealings are carried on in the London interbank eurodollar market, (b) with respect to any Alternate Currency Loan, a day of the year on which commercial banks are open for international business (including the clearing of currency transfer in the relevant Alternate Currency) in the principal financial center of the home country of such Alternate Currency, (c) with respect to any Letter of Credit issued by LaSalle Bank National Association or any successor thereto (or any of its branches or affiliates) as the LC Issuer, a day of the year on which such LC Issuer is open for banking business at its principal office, and (d) for all other purposes, a day of the year on which banks are not required or authorized to close in Cleveland, Ohio.

“*Change in Control*” means (a) the acquisition of, or, if earlier, the shareholder or director approval of the acquisition of, ownership or voting control, directly or indirectly, beneficially or of record, on or after the Closing Date, by any Person or group (within the meaning of Rule 13d-3 of the SEC under the United States Securities Exchange Act of 1934, as then in effect), of shares representing more than 40% of the aggregate ordinary Voting Power represented by the issued and outstanding capital stock of Borrower; or (b) the occupation of a majority of the seats (other than vacant seats) on the board of directors of Borrower by Persons who were neither (i) nominated by the board of directors of Borrower nor (ii) appointed by directors so nominated.

“*CIP Regulations*” has the meaning provided in Section 9.12 hereof.

“*Closing Date*” means the effective date of this Agreement as set forth in the first paragraph of this Agreement.

“*Code*” means the Internal Revenue Code of 1986, as amended, together with the rules and regulations promulgated thereunder.

“*Commitment*” means the obligation hereunder of the Lenders, during the Commitment Period, to make Revolving Loans, to participate in Swing Loans made by Agent and to participate in the issuance of Letters of Credit pursuant to the Revolving Credit Commitments up to the Total Commitment Amount.

“*Commitment Percentage*” means, for each Lender, the amount, expressed as a percentage, by which such Lender’s Revolving Credit Commitment bears to the Total Commitment Amount.

“*Commitment Period*” means the period from the Closing Date to September 13, 2012, or such later date as may apply from time to time pursuant to Section 2.13, or such earlier date on which the Commitment shall have been terminated pursuant to Article VIII hereof.

“*Company*” means Borrower or a Subsidiary.

“*Companies*” means Borrower and all Subsidiaries.

“*Compliance Certificate*” means a certificate, substantially in the form of the attached *Exhibit D*.

“*Consideration*” means, in connection with an Acquisition, the aggregate consideration paid, including the assumption of indebtedness for borrowed money, net of cash acquired.

“*Consolidated*” means the resultant consolidation of the financial statements of Borrower and its Subsidiaries in accordance with GAAP, including principles of consolidation consistent with those applied in preparation of the consolidated financial statements referred to in Section 4.12 hereof.

“*Consolidated Depreciation and Amortization Charges*” means, for any period, the aggregate of all depreciation and amortization charges for fixed assets, leasehold improvements and general intangibles (specifically including goodwill) of Borrower for such period, as determined on a Consolidated basis and in accordance with GAAP.

“*Consolidated EBIT*” means, for any period, on a Consolidated basis and in accordance with GAAP, (a) Consolidated Net Earnings for such period plus the aggregate amounts deducted in determining such Consolidated Net Earnings in respect of (i) income taxes, (ii) Consolidated Interest Expense and (iii) non-recurring non-cash charges (including non-cash charges associated with the write-off of goodwill in accordance with SFAS 142) and losses, minus (b) non-recurring non-cash gains; *provided*, that Consolidated EBIT for any period shall include the appropriate financial items (other than assumed operating synergies) for any Person or business unit that has been acquired by a Company for any portion of such period prior to the date of such Acquisition and exclude the appropriate financial items (other than assumed operating synergies) for any Person or business unit that has been disposed of by a Company, for the portion of such period prior to the date of such disposition.

“*Consolidated EBITDA*” means, for any period, on a Consolidated basis and in accordance with GAAP, (a) Consolidated EBIT, plus (b) Consolidated Depreciation and Amortization Charges; *provided*, that Consolidated EBITDA for any period shall (i) include the appropriate financial items (other than assumed operating synergies) for any Person or business unit that has been acquired by a Company for any portion of such period prior to the date of such Acquisition, and (ii) exclude the appropriate financial (other than assumed operating synergies) items for any Person or business unit that has been disposed of by a Company, for the portion of such period prior to the date of such disposition.

“*Consolidated Funded Indebtedness*” means, with respect to Borrower as determined on a Consolidated basis and in accordance with GAAP, without duplication, all Indebtedness for borrowed money and capitalized leases, including, but not limited to, current, long-term and Subordinated Indebtedness, if any, all Synthetic Lease Indebtedness, all obligations under conditional sales or other title retention agreements (other than a true consignment), and all Indebtedness under the Permitted Receivables Facility; *provided, however*, that contingent obligations to reimburse any other Person in respect of amounts to be paid under a letter of credit shall not be deemed to be Consolidated Funded Indebtedness hereunder so long as and to the extent that such obligations remain contingent.

“*Consolidated Interest Expense*” means, for any period, interest expense of Borrower for such period, as determined on a Consolidated basis and in accordance with GAAP; and specifically including the interest component of the Permitted Receivables Facility.

“*Consolidated Net Earnings*” means, for any period, the net income (loss) of Borrower for such period, as determined on a Consolidated basis and in accordance with GAAP. “*Consolidated Net Worth*” means, at any

date, the stockholders' equity of Borrower, determined as of such date on a Consolidated basis and in accordance with GAAP.

"*Consolidated Total Assets*" means, at any date of determination, the net book value of all assets at such date that would appear on a Consolidated balance sheet of Borrower that is prepared in accordance with GAAP.

"*Contribution Agreement*" means the Second Amended and Restated Contribution Agreement, in the form of the attached *Exhibit F*, entered into by Borrower and each Guarantor of Payment, as the same may from time to time be further amended, restated, supplemented, or otherwise modified.

"*Controlled Group*" means a Company and each Person required to be aggregated with a Company under Code Sections 414(b), (c), (m) or (o).

"*Credit Event*" means the making by any Lender of a Loan, the conversion by any Lender of a Fixed Rate Loan or Base Rate Loan, the continuation by any Lender of a Fixed Rate Loan, or the issuance, amendment or renewal by the LC Issuer of a Letter of Credit.

"*Debt*" means, collectively, all Indebtedness and other obligations incurred by Borrower to the Lenders pursuant to this Agreement and includes the principal of and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on all Notes and each extension, renewal or refinancing thereof in whole or in part, the facility fees, other fees and any prepayment fees and other amounts payable hereunder.

"*Default*" means an event or condition that constitutes, or with the lapse of any applicable grace period or the giving of notice or both would constitute, an Event of Default and that has not been waived by the Required Lenders (or all of the Lenders, as the case may be) in writing.

"*Default Rate*" means (a) with respect to any Loan, a rate per annum equal to 2% in excess of the rate otherwise applicable thereto, (b) with respect to any Letter of Credit, the fee for the aggregate undrawn face amount of each such Letter of Credit shall be increased to an amount per annum equal to 2% in excess of the Applicable Margin in effect from time to time for Fixed Rate Loans, and (c) with respect to any other amount, a rate per annum equal to 2% in excess of the Derived Base Rate from time to time in effect.

"*Derived Base Rate*" means a rate per annum equal to the sum of the Applicable Margin (from time to time in effect) plus the Base Rate.

"*Derived Fixed Rate*" means, (a) with respect to a Eurodollar Loan, a rate per annum equal to the sum of the Applicable Margin (from time to time in effect) plus the Eurodollar Rate, or (b) with respect to an Alternate Currency Loan, a rate per annum equal to the sum of the Applicable Margin from time to time in effect plus the Alternate Currency Rate applicable to the relevant Alternate Currency.

"*Derived Swing Loan Rate*" means a rate per annum equal to (a) Agent's cost of funds as quoted to Borrower by Agent and agreed to by Borrower, plus (b) the Applicable Margin (from time to time in effect).

"*Dollar*" or \$ means lawful money of the United States of America.

"*Dollar Equivalent*" means, (a) with respect to an Alternate Currency Loan or Alternate Currency Letter of Credit, the Dollar equivalent of the amount of such Alternate Currency Loan or Alternate Currency Letter of Credit, determined by Agent on the basis of its spot rate at approximately 11:00 A.M. London time on the date two Business Days before the date of such Alternate Currency Loan, for the purchase of the relevant Alternate Currency with Dollars for delivery on the date of such Alternate Currency Loan or Alternate Currency Letter of Credit, and (b) with respect to any other amount denominated in an Alternate Currency, the Dollar equivalent of such amount, determined by Agent on the basis of its spot rate at approximately 11:00 A.M. London time on the date for which the Dollar equivalent amount of such amount is being determined, for the purchase of the relevant

Alternate Currency with Dollars for delivery on such date; *provided, however*, that, in calculating the Dollar Equivalent for purposes of determining (i) Borrower's obligation to prepay Loans pursuant to Section 2.12 hereof, or (ii) Borrower's ability to request additional Loans or the issuance, amendment or renewal of Letters of Credit pursuant to the Commitment, Agent may, in its discretion, on any Business Day (prior to payment in full of the Debt) selected by Agent, calculate the Dollar Equivalent of each such Loan or Letter of Credit. Agent shall notify Borrower of the Dollar Equivalent of such Alternate Currency Loan, or any other amount, at the time that Dollar Equivalent is determined.

"*Domestic Company*" means Borrower or a Domestic Subsidiary (other than the Insurance Subsidiary or the Receivables Subsidiary).

"*Domestic Subsidiary*" means a Subsidiary that is not a Foreign Subsidiary.

"*Environmental Laws*" means all provisions of law, statutes, ordinances, rules, regulations, permits, licenses, judgments, writs, injunctions, decrees, orders, awards and standards promulgated by the government of the United States of America or any other applicable country or sovereignty or by any state or municipality thereof or by any court, agency, instrumentality, regulatory authority or commission of any of the foregoing concerning health, safety and protection of, or regulation of the discharge of substances into, the environment.

"*ERISA*" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated pursuant thereto.

"*ERISA Event*" means (a) the existence of a condition or event with respect to an ERISA Plan that presents a risk of the imposition of an excise tax or any other liability on a Company or of the imposition of a Lien on the assets of a Company; (b) the engagement by a Controlled Group member in a non-exempt "prohibited transaction" (as defined under ERISA Section 406 or Code Section 4975) or a breach of a fiduciary duty under ERISA that could result in liability to a Company; (c) the application by a Controlled Group member for a waiver from the minimum funding requirements of Code Section 412 or ERISA Section 302 or a Controlled Group member is required to provide security under Code Section 436(f); (d) the occurrence of a Reportable Event with respect to any Pension Plan; (e) the withdrawal by a Controlled Group member from a Multiemployer Plan in a "complete withdrawal" or a "partial withdrawal" (as such terms are defined in ERISA Sections 4203 and 4205, respectively); (f) the involvement of, or occurrence or existence of any event or condition that makes likely the involvement of, a Multiemployer Plan in any reorganization under ERISA Section 4241; (g) the failure of an ERISA Plan (and any related trust) that is intended to be qualified under Code Sections 401 and 501 to be so qualified other than a failure that is correctable under Part IV or V of Revenue Procedure 2006-27 or any subsequent Revenue Procedure or the failure of any "cash or deferred arrangement" under any such ERISA Plan to meet the requirements of Code Section 401(k), other than any failure by any ERISA Plan of the ADP or ACP tests during any calendar year that would require the return of Code Section 401(k) contributions to highly compensated employees, which failure has not been corrected by December 31st of the next succeeding calendar year; (h) the taking by the PBGC of any steps to terminate a Pension Plan or appoint a trustee to administer a Pension Plan; (i) the failure by a Controlled Group member or an ERISA Plan to satisfy any requirements of law applicable to an ERISA Plan other than a failure that is correctable under Part IV or V of Revenue Procedure 2006-27 or any subsequent Revenue Procedure or under the voluntary fiduciary correction program established by the Department of Labor; or (j) the commencement, existence or threatening of a claim, action, suit, audit or investigation with respect to an ERISA Plan, other than a routine claim for benefits or a routine audit of an ERISA Plan, by or on behalf of the Internal Revenue Service, the Department of Labor, and/or the PBGC, which audit is concluded within nine months of its commencement and does not result in any material monetary liability of any Company.

"*ERISA Plan*" means an "employee benefit plan" (within the meaning of ERISA Section 3(3)) that a Controlled Group member at any time sponsors, maintains, contributes to, has liability with respect to or has an obligation to contribute to such plan.

"*Eurocurrency Liabilities*" has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

“*Eurodollar Loan*” means a Revolving Loan described in Section 2.02(a) hereof that is denominated in Dollars on which Borrower shall pay interest at a rate based upon the Eurodollar Rate.

“*Eurodollar Rate*” means, with respect to a Eurodollar Loan, for any Interest Period, a rate per annum equal to the quotient obtained (rounded upwards, if necessary, to the nearest 1/16th of 1%) by dividing (a) the per annum rate of interest, determined by Agent in accordance with its usual procedures (which determination shall be conclusive absent manifest error) as of approximately 11:00 A.M. (London time) two Business Days prior to the beginning of such Interest Period pertaining to such Eurodollar Loan, as listed on the Reuters “LIBOR01” screen displaying British Bankers’ Association Interest Settlement Rates (or, if for any reason such rate is unavailable from Reuters, from any other similar company or service that provides rate quotations comparable to those currently provided by Reuters) as the rate in the London interbank market for Dollar deposits in immediately available funds with a maturity comparable to such Interest Period, *provided* that, in the event that such rate quotation is not available for any reason, then the Eurodollar Rate shall be the average (rounded upward to the nearest 1/16th of 1%) of the per annum rates at which deposits in immediately available funds in Dollars for the relevant Interest Period and in the amount of the Eurodollar Loan to be disbursed or to remain outstanding during such Interest Period, as the case may be, are offered to Agent (or an affiliate of Agent, in Agent’s discretion) by prime banks in any Eurodollar market reasonably selected by Agent, determined as of 11:00 A.M. (London time) (or as soon thereafter as practicable), two Business Days prior to the beginning of the relevant Interest Period pertaining to such Eurodollar Loan hereunder; by (b) 1.00 minus the Reserve Percentage.

“*Event of Default*” means an event or condition that constitutes an event of default as defined in Article VII hereof.

“*Existing Letters of Credit*” means each of the letters of credit issued or deemed to have been issued under the Original Credit Agreement that is outstanding on the Closing Date and is listed on *Schedule 2* hereto. Unless a letter of credit issued or deemed to have been issued under the Original Credit Agreement is listed on *Schedule 2* hereto, it will not be a Letter of Credit under this Agreement.

“*Existing Letter of Credit Issuer*” means each issuer with respect to each Existing Letter of Credit.

“*Federal Funds Effective Rate*” means, for any day, the rate per annum (rounded upward to the nearest one one-hundredth of one percent (1/100 of 1%)) announced by the Federal Reserve Bank of New York (or any successor) on such day as being the weighted average of the rates on overnight federal funds transactions arranged by federal funds brokers on the previous trading day, as computed and announced by such Federal Reserve Bank (or any successor) in substantially the same manner as such Federal Reserve Bank computes and announces the weighted average it refers to as the “Federal Funds Effective Rate” as of the Closing Date.

“*Financial Officer*” means any of the following officers: chief executive officer, president, chief financial officer or treasurer. Unless otherwise qualified, all references to a Financial Officer in this Agreement shall refer to a Financial Officer of Borrower.

“*Fixed Rate Loan*” means a Eurodollar Loan or an Alternate Currency Loan.

“*Foreign Subsidiary*” means a Subsidiary that is organized outside of the United States.

“*GAAP*” means generally accepted accounting principles in the United States as then in effect, which shall include the official interpretations thereof by the Financial Accounting Standards Board, applied on a basis consistent with the past accounting practices and procedures of Borrower.

“*Guarantor*” means a Person that pledges its credit or property in any manner for the payment or other performance of the indebtedness, contract or other obligation of another and includes (without limitation) any guarantor (whether of payment or of collection), surety, co-maker, endorser or Person that agrees conditionally or otherwise to make any purchase, loan or investment in order thereby to enable another to prevent or correct a default of any kind.

“*Guarantor of Payment*” means each of the Companies set forth on *Schedule 3* hereof, that are executing and delivering a Guaranty of Payment, or any other Person that shall deliver a Guaranty of Payment to Agent after the Closing Date in connection with this Agreement.

“*Guaranty of Payment*” means the Second Amended and Restated Guaranty of Payment dated as of September 13, 2007, entered into by each Guarantor of Payment substantially in the form of the attached *Exhibit E*, and each other Guaranty of Payment executed and delivered on or after the Closing Date by any Person in connection with this Agreement, as any of the foregoing may from time to time be further amended, restated, supplemented, or otherwise modified.

“*Hedge Agreement*” means any (a) hedge agreement, interest rate swap, cap, collar or floor agreement, or other interest rate management device entered into by a Company with any Person in connection with any Indebtedness of such Company, or (b) currency swap agreement, forward currency purchase agreement, foreign currency option contract or similar arrangement or agreement designed or used to protect against fluctuations in currency exchange rates entered into by a Company.

“*Increasing Lender*” has the meaning provided in Section 2.10(b).

“*Indebtedness*” means, for any Company (excluding in all cases trade payables payable in the ordinary course of business by such Company), without duplication, (a) all obligations to repay borrowed money, direct or indirect, incurred, assumed, or guaranteed, (b) all obligations for the deferred purchase price of capital assets, (c) all obligations under conditional sales or other title retention agreements (other than a true consignment), (d) all obligations (contingent or otherwise) under any letter of credit or banker’s acceptance, (e) the net obligations under or with respect to any Hedge Agreement, (f) all Synthetic Lease Indebtedness, (g) all lease obligations that have been or should be capitalized on the books of such Company in accordance with GAAP, (h) all obligations (other than customary reimbursement obligations for out-of-pocket expenses and legal fees and indemnification obligations that have not been fixed) of such Company with respect to asset securitization financing programs (including, without limitation, the Permitted Receivables Facility), (i) all obligations to advance funds to, or to purchase assets, property or services from, any other Person in order to maintain the financial condition of such Person, (j) any other transaction (including forward sale or purchase agreements) having the commercial effect of a borrowing of money entered into by such Company to finance its operations or capital requirements, and (k) all guarantees of any of the foregoing Indebtedness by any Company.

“*Insurance Subsidiary*” means Global Risk Insurance Company, a Vermont corporation, together with its successors and assigns, and any other Domestic Subsidiary that may be formed and operated solely as a captive insurance company and which is designated as an “Insurance Subsidiary” in a writing delivered by Borrower to Agent.

“*Intercreditor Agreement*” means the Intercreditor Agreement, dated as of December 17, 2003, among the Senior Note Holders and Agent, on behalf of and for the benefit of the Lenders, and acknowledged and consented to by Borrower and each Guarantor of Payment, as the same may from time to time be amended, restated or otherwise modified.

“*Interest Adjustment Date*” means the last day of each Interest Period.

“*Interest Coverage Ratio*” means, as of any date, the ratio of (a) Consolidated EBIT to (b) Consolidated Interest Expense, for the four fiscal quarters of Borrower ended on or immediately prior to such date.

“*Interest Period*” means, with respect to a Fixed Rate Loan, a period of one, two, three or six months, as selected by Borrower in accordance with Section 2.03 hereof, commencing on the applicable date of borrowing or conversion of such Fixed Rate Loan and on each Interest Adjustment Date with respect thereto; *provided, however*, that if any such period would be affected by a reduction in the Commitment as provided in Section 2.10 hereof, prepayment or conversion rights or obligations as provided in Section 2.03(b) or Article III hereof, or maturity of Fixed Rate Loans as provided in Section 2.02 hereof, Borrower shall not select a period that extends beyond the date of such reduction, prepayment, conversion or maturity; *provided, further*, that, if (a) Borrower fails to select a new Interest Period with respect to an outstanding Eurodollar Loan at least three Business Days prior to the Interest Adjustment Date applicable to such Eurodollar Loan, Borrower shall be deemed to have

converted such Eurodollar Loan to a Base Rate Loan at the end of the then current Interest Period, or (b) Borrower fails to select a new Interest Period with respect to an outstanding Alternate Currency Loan at least three Business Days prior to the Interest Adjustment Date applicable to such Alternative Currency Loan, such Alternate Currency Loan shall be repaid on the last day of the applicable Interest Period.

“*Investment*” means (a) any direct or indirect purchase or other acquisition by any Company of any of the capital stock or other equity interest of any other Person, including any partnership or joint venture interest in such Person; or (b) any loan or advance to, guarantee or assumption of debt or purchase or other acquisition of any other debt (other than accounts receivable arising in the ordinary course of business on terms customary in the trade) of, any Person by any Company, except that “*Investment*” shall not include an Acquisition by any Company or a Board Approved Short-Term Investment made by any Company.

“*ISP*” means at any time the most recent International Standby Practices issued by the Institute for International Banking Law & Practice, Inc.

“*LC Applicant*” means Borrower or any Company for whose account a Letter of Credit is requested by Borrower hereunder.

“*LC Application*” means an application for the issuance of a Letter of Credit hereunder, specifying (a) the requested issuance date, the amount, the beneficiary and the expiration date of such Letter of Credit, (b) the documentary requirements for drawing thereunder and (c) such other information as the LC Issuer may reasonably request.

“*LC Issuer*” means (a) with respect to each Letter of Credit other than an Existing Letter of Credit, LaSalle Bank National Association or any successor thereto and if LaSalle Bank National Association or any successor thereto is unable or unwilling to be the LC Issuer with respect to any Letter of Credit, KeyBank National Association, and (b) with respect to each Existing Letter of Credit, the applicable Existing Letter of Credit Issuer; *provided, however*, that the LC Issuer may cause any Letter of Credit to be issued by a branch or affiliate of the LC Issuer, and all references to the LC Issuer herein or in any related document shall include each applicable branch or affiliate.

“*LC Terms and Conditions*” means the terms and conditions of this Agreement and the terms and conditions set forth in the attached *Exhibit I* (as amended, supplemented, replaced or otherwise modified from time to time pursuant to Section 10.03 hereof), which shall govern each Letter of Credit.

“*Letters of Credit*” means, collectively, (a) the Existing Letters of Credit and (b) any letter of credit that shall be issued by the LC Issuer for the account of a Company, including amendments thereto, if any, and shall have an expiration date no later than 30 days prior to the last day of the Commitment Period.

“*Letter of Credit Commitment*” means the commitment of the LC Issuer, on behalf of the Lenders, to issue Letters of Credit in Dollars or Alternate Currency in an aggregate outstanding face amount of up to \$100,000,000 (or the Dollar Equivalent thereof), during the Commitment Period, on the terms and conditions set forth in Section 2.02(c) hereof.

“*Letter of Credit Exposure*” means, at any time, the sum of (a) the aggregate undrawn face Dollar or Dollar Equivalent amount, as applicable, of all issued and outstanding Letters of Credit, and (b) the Dollar or Dollar Equivalent amount of all Unreimbursed Letter of Credit Obligations.

“*Letter of Credit Request*” means a Letter of Credit Request in the form of the attached *Exhibit C-2*.

“*Lender*” has the meaning provided in the first paragraph of this Agreement.

“*Leverage Ratio*” means, as of any date, the ratio of (a) Consolidated Funded Indebtedness as of such date to (b) Consolidated EBITDA for the four fiscal quarters of Borrower ended on or immediately prior to such date.

“*Lien*” means any mortgage, deed of trust, security interest, lien (statutory or other), charge, encumbrance on, pledge or deposit of, or conditional sale, leasing, sale with a right of redemption or other title retention agreement and any capitalized lease with respect to any property (real or personal) or asset.

“*Loan*” means a Revolving Loan or a Swing Loan.

“*Loan Documents*” means, collectively, this Agreement, each Note, each Guaranty of Payment, all documentation relating to each Letter of Credit, the Agent Fee Letter, the Intercreditor Agreement, and any other documents relating to any of the foregoing, as any of the foregoing may from time to time be amended, restated or otherwise modified or replaced.

“*Material Adverse Effect*” means (a) a material adverse effect on the business, operations, property, condition (financial or otherwise) or prospects of Borrower and its Subsidiaries taken as a whole, or (b) a material adverse effect on the ability of Borrower or any other Company to perform or comply with any of the material terms and conditions of any material Loan Document.

“*Material Indebtedness*” means, as to any Company, any particular Indebtedness of such Company or guaranteed by such Company, the aggregate principal amount of which is in excess of \$40,000,000 (or the Dollar Equivalent thereof).

“*Material Indebtedness Agreement*” means any debt instrument, lease (capital, operating or otherwise), guaranty, contract, commitment, agreement or other arrangement evidencing any Material Indebtedness.

“*Material Subsidiary*” means any Subsidiary that has total assets (based on the book value of such assets as determined in accordance with GAAP) of more than \$2,000,000 (or the Dollar Equivalent thereof).

“*Multiemployer Plan*” means a Pension Plan that is subject to the requirements of Subtitle E of Title IV of ERISA.

“*Non-Increasing Lender*” has the meaning provided in Section 2.10(b).

“*Note*” means any Revolving Credit Note, any Swing Line Note or any other note delivered pursuant to this Agreement.

“*Notice of Loan*” means a Notice of Loan in the form of the attached *Exhibit C-1*.

“*Obligor*” means (a) a Person whose credit or any of whose property is pledged to the payment of the Debt and includes, without limitation, any Guarantor, and (b) any signatory to a Related Writing.

“*Organizational Documents*” means, with respect to any Person (other than an individual), such Person’s Articles (Certificate) of Incorporation, operating agreement or equivalent formation documents, and Regulations (Bylaws), or equivalent governing documents, and any amendments to any of the foregoing.

“*Original Credit Agreement*” has the meaning provided in the introductory statements of this Agreement.

“*Original Lender*” has the meaning provided in the introductory statements of this Agreement.

“*PBGC*” means the Pension Benefit Guaranty Corporation, or its successor.

“*Pension Plan*” means an ERISA Plan that is a “pension plan” (within the meaning of ERISA Section 3(2)).

“*Permitted Foreign Subsidiary Liens*” means, with respect to any Indebtedness incurred by a Foreign Subsidiary pursuant to Section 5.08(e) hereof, Liens on the assets of such Foreign Subsidiary and Liens on the assets of any Foreign Subsidiary of such Foreign Subsidiary; *provided, however*, that for purposes of this definition and all other provisions of this Agreement, any Domestic Subsidiary of such Foreign Subsidiary will be deemed to be a “Foreign Subsidiary” of such Foreign Subsidiary so long as any of its assets are subject to Permitted Foreign Subsidiary Liens.

“*Permitted Foreign Subsidiary Loans and Investments*” means (a) any investment by a Foreign Subsidiary in, or loan from a Foreign Subsidiary to, another Company (other than the Insurance Subsidiary or the Receivables Subsidiary), (b) any investment by a Domestic Company in a Foreign Subsidiary made in the ordinary course of business, (c) any loan from a Domestic Company to a Foreign Subsidiary made in the ordinary course of business, and (d) any Indebtedness of a Foreign Subsidiary owing to another Person (other than a Company) incurred in the ordinary course of business.

“*Permitted Insurance Subsidiary Loans and Investments*” means (a) any investment by the Insurance Subsidiary in, or loan from the Insurance Subsidiary to, a Domestic Company, (b) any investment by any Domestic Company in, or loans by a Domestic Company to, the Insurance Subsidiary made in the ordinary course of business, so long as the aggregate amount of all such loans and investments (including the loans and investments outstanding on the Closing Date) made to the Insurance Subsidiary pursuant to this clause (b) does not exceed, at any time, an amount equal to 5% of Consolidated Net Worth, based upon Borrower’s financial statements for the most recently completed fiscal quarter, and (c) investments by the Insurance Subsidiary in debt or equity investments in the ordinary course of the Insurance Subsidiary’s business.

“*Permitted Receivables Facility*” means an accounts receivable facility established by the Receivables Subsidiary and one or more Companies, whereby such Companies shall have sold or transferred the accounts receivables of such Companies to the Receivables Subsidiary which in turn transfers to a buyer, purchaser or lender undivided fractional interests in such accounts receivable, so long as (a) no portion of the Indebtedness or any other obligation (contingent or otherwise) under such Permitted Receivables Facility shall be guaranteed by any Company, (b) there shall be no recourse or obligation to any Company (other than the Receivables Subsidiary) whatsoever other than pursuant to representations, warranties, covenants and indemnities entered into in the ordinary course of business in connection with such Permitted Receivables Subsidiary that in the reasonable opinion of Agent are customary for securitization transactions, and (c) no Company (other than the Receivables Subsidiary) shall have provided, either directly or indirectly, any other credit support of any kind in connection with such Permitted Receivables Facility, other than as set forth in subpart (b) of this definition.

“*Permitted Third Party Investments*” means any Pre-Closing Permitted Third Party Investments and any Post-Closing Permitted Third Party Investments.

“*Person*” means any individual, sole proprietorship, partnership, joint venture, unincorporated organization, corporation, limited liability company, institution, trust, estate, government or other agency or political subdivision thereof or any other entity.

“*Post-Closing Permitted Third Party Investments*” means any Investment made by any Company in or to any Person (other than a Company) that is made at any time on or after the Closing Date if, at the time the Investment is made (the “*Reference Date*”), the amount of the Investment, when added to the aggregate amount of all other Investments made by all Companies in or to any Persons (other than a Company) that have been made at any time after the Closing Date, does not exceed 10% of Consolidated Net Worth, as reflected in Borrower’s financial statements for the last fiscal quarter that ended before the Reference Date. For these purposes, the aggregate amount of all other Investments made by all Companies in or to any Persons (other than a Company) that have been made after the Closing Date and before the Reference Date shall be determined by adding together the amounts invested in each such Investment, in each case valued on the date the particular Investment was made.

“*Pre-Closing Permitted Third Party Investments*” means any Investment made by any Company in or to any Person (other than a Company) at any time before the Closing Date.

“*Prime Rate*” means the interest rate established from time to time by Agent as Agent’s prime rate, whether or not such rate shall be publicly announced; the Prime Rate may not be the lowest interest rate charged by Agent for commercial or other extensions of credit. Each change in the Prime Rate shall be effective immediately from and after such change.

“*Receivables Facility Documents*” has the meaning provided in Section 5.25 hereof.

“*Receivables Related Assets*” means, collectively, accounts receivable, instruments, chattel paper, obligations, general intangibles and other similar assets approved by Agent in writing, in each case relating to receivables subject to the Permitted Receivables Facility, including interests in merchandise or goods, the sale or lease of which gave rise to such receivables, related contractual rights, guaranties, insurance proceeds, collections and proceeds of all of the foregoing.

“*Receivables Subsidiary*” means a Wholly-Owned Subsidiary of Borrower that has been established as a “bankruptcy remote” Subsidiary for the sole purpose of acquiring accounts receivable under the Permitted Receivables Facility and that shall not engage in any activities other than in connection with the Permitted Receivables Facility.

“*Related Writing*” means each Loan Document and any other assignment, mortgage, security agreement, guaranty agreement, subordination agreement, financial statement, audit report or other writing furnished by Borrower, any Subsidiary or any Obligor, or any of their respective officers, to Agent or the Lenders pursuant to or otherwise in connection with this Agreement.

“*Reportable Event*” means a reportable event as that term is defined in Title IV of ERISA, except a reportable event for which notice has been waived by the Pension Benefit Guaranty Corporation.

“*Request for Extension*” means a notice, substantially in the form of the attached *Exhibit H*.

“*Required Lenders*” means (a) during the Commitment Period, the holders of more than 50% of the Total Commitment Amount, and (b) after the expiration of the Commitment Period, the holders of more than 50% of the aggregate principal amount outstanding under all Notes other than the Swing Line Note.

“*Reserve Percentage*” means, with respect any Fixed Rate Loan for any day, the percentage (expressed as a decimal) that is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, all basic, supplemental, marginal and other reserves and taking into account any transitional adjustments or other scheduled changes in reserve requirements) for a member bank of the Federal Reserve System in Cleveland, Ohio, in respect of Eurocurrency Liabilities. The Eurodollar Rate and the Alternate Currency Rate shall be adjusted automatically on and as of the effective date of any change in the Reserve Percentage.

“*Revolving Credit Commitment*” means the obligation hereunder, during the Commitment Period, of (a) each Lender to participate in the making of Revolving Loans up to the aggregate amount set forth opposite such Lender’s name under the column headed “Revolving Credit Commitment Amount” as set forth on *Schedule 1* hereof (or such other amount as shall be determined pursuant to Section 2.10 or 10.10 hereof), (b) the LC Issuer to issue Letters or Credit, and of each Lender to participate therein, pursuant to the Letter of Credit Commitment, and (c) Agent to make Swing Loans pursuant to the Swing Line Commitment, and of each Lender to participate therein, pursuant to Section 2.02(b).

“*Revolving Credit Exposure*” means, at any time, the sum of (a) the aggregate principal Dollar or Dollar Equivalent amount of all Revolving Loans outstanding, (b) the Swing Line Exposure and (c) the Dollar or Dollar Equivalent amount of the Letter of Credit Exposure.

“*Revolving Credit Note*” means a Revolving Credit Note, in the form of the attached *Exhibit A*, executed and delivered pursuant to Section 2.05(a) hereof.

“*Revolving Loan*” means a loan granted to Borrower by the Lenders in accordance with Section 2.02(a) hereof.

“*SEC*” means the United States Securities and Exchange Commission, or any governmental body or agency succeeding to any of its principal functions.

“*Senior Note Documents*” means, collectively, the Senior Note Purchase Agreement, the Senior Notes, the Senior Note Guaranty and any other agreement, instrument and other document executed in connection with any of the foregoing.

“*Senior Note Guaranty*” means the Subsidiary Guaranty, dated as of December 17, 2003, executed and delivered by the Guarantors of Payment to the Senior Note Holders in connection with the Senior Note Purchase Agreement, as the same may from time to time be amended, restated or otherwise modified.

“*Senior Note Holders*” means, collectively, the holders from time to time of each of the Senior Notes issued pursuant to the Senior Note Purchase Agreement.

“*Senior Note Purchase Agreement*” means, collectively, the Note Purchase Agreements, each dated as of December 17, 2003, entered into by and among Borrower and the Senior Note Holders in connection with the Senior Notes, as the same may from time to time be amended, restated or otherwise modified.

“*Senior Notes*” means, collectively, (a) the 4.20% Senior Notes, Series A-1, due December 15, 2008, (b) the 5.25% Senior Notes, Series A-2, due December 15, 2013, and (c) the 5.38% Senior Notes, Series A-3, due December 15, 2015, issued pursuant to the Senior Note Purchase Agreement, as the same may from time to time be amended, restated, otherwise modified or replaced.

“*Subordinated*,” as applied to Indebtedness, means that the Indebtedness has been subordinated (by written terms or written agreement being, in either case, in form and substance satisfactory to Agent and the Required Lenders) in favor of the prior payment in full of the Debt.

“*Subsidiary*” of Borrower or any of its Subsidiaries means (a) a corporation more than 50% of the Voting Power of which is owned, directly or indirectly, by Borrower or by one or more other subsidiaries of Borrower or by Borrower and one or more subsidiaries of Borrower, (b) a partnership or limited liability company of which Borrower, one or more other subsidiaries of Borrower or Borrower and one or more subsidiaries of Borrower, directly or indirectly, is a general partner or managing member, as the case may be, or otherwise has the power to direct the policies, management and affairs thereof, or (c) any other Person (other than a corporation) in which Borrower, one or more other subsidiaries of Borrower or Borrower and one or more subsidiaries of Borrower, directly or indirectly, has at least a majority interest in the Voting Power or the power to direct the policies, management and affairs thereof.

“*Swing Line*” means the credit facility established by Agent for Borrower in accordance Section 2.02(b) hereof.

“*Swing Line Commitment*” means the commitment of Agent to make Swing Loans to Borrower up to the maximum aggregate amount at any time outstanding of \$35,000,000 in accordance with the terms and conditions of the Swing Line.

“*Swing Line Exposure*” means, at any time, the aggregate principal amount of all outstanding Swing Loans.

“*Swing Line Note*” means the Swing Line Note, in the form of the attached *Exhibit B*, executed and delivered pursuant to Section 2.02(b) hereof.

“*Swing Loan*” means a loan denominated in Dollars granted to Borrower by Agent under the Swing Line.

“*Swing Loan Maturity Date*” means, with respect to any Swing Loan, the earlier of (a) the date agreed to between Agent and Borrower, but in no event shall such date be in excess of 29 days after the date such Swing Loan is made, or (b) the last day of the Commitment Period.

“*Synthetic Lease*” means any lease entered into by any Company that is treated as a lease for accounting purposes but that is intended by the parties to be treated as a financing transaction for income tax, property law and/or bankruptcy purposes, and in respect of which transaction any Synthetic Lease Indebtedness is issued or incurred.

“*Synthetic Lease Indebtedness*” means the aggregate principal amount of (and capitalized interest on) all indebtedness incurred or issued in connection with any Synthetic Lease that is secured, supported or serviced, directly or indirectly, by any payments made by any Company.

“*Tax*” means any present or future tax, levy, deduction, charge or withholding and all liabilities with respect to any of the foregoing (other than taxes imposed on or measured by the income of any Lender, or franchise taxes imposed on such Lender, by any jurisdiction in which such Lender is organized or in which such Lender is resident or doing business), under the laws of the United States of America or any foreign jurisdiction (or any state or political subdivision thereof).

“*Total Commitment Amount*” means the principal amount of \$400,000,000 (or its Dollar Equivalent in Alternate Currency), or such lesser or greater amount as shall be determined pursuant to Section 2.10 hereof; *provided, however*, that, for the purposes of determining the Total Commitment Amount, Agent may, in its discretion, calculate the Dollar Equivalent of any Alternate Currency Loan on any Business Day selected by Agent.

“*UCP*” means at any time the most recent Uniform Customs and Practice for Documentary Credits issued by the International Chamber of Commerce.

“*Unreimbursed Letter of Credit Obligations*” means, at any time, the aggregate Dollar or Dollar Equivalent amount, as applicable, of the draws made on Letters of Credit that have not been reimbursed by Borrower or converted to a Revolving Loan pursuant to Section 2.02(c)(ii) hereof and all interest thereon that accrues pursuant to Section 2.02(c)(ii) hereof.

“*USA Patriot Act*” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT Act) Act of 2001 (Title III of Pub. L. 107-56 (signed into law October 26, 2001)).

“*Voting Power*” means, with respect to any Person, the exclusive ability to control, through the ownership of shares of capital stock, partnership interests, membership interests or otherwise, the election of members of the board of directors or other similar governing body of such Person. The holding of a designated percentage of Voting Power of a Person means the ownership of shares of capital stock, partnership interests, membership interests or other interests of such Person sufficient to control exclusively the election of that percentage of the members of the board of directors or similar governing body of such Person.

“*Welfare Plan*” means an ERISA Plan that is a “welfare plan” within the meaning of ERISA Section 3(l).

“*Wholly-Owned Subsidiary*” means, with respect to any Person, any corporation, limited liability company or other entity, all of the securities or other ownership interest of which having ordinary Voting Power to elect a majority of the board of directors, or other persons performing similar functions, are at the time directly or indirectly owned by such Person.

Section 1.02 *Accounting Terms and Determinations*. Unless otherwise specified herein, all accounting terms used herein, all accounting determinations hereunder and all financial statements required to be delivered hereunder shall be used, determined and prepared, as the case may be, in accordance with GAAP, *provided* that if Borrower notifies Agent and the Lenders that Borrower wishes to amend any covenant in Article V to eliminate the effect of any change in GAAP that occurs after the Closing Date on the operation of such covenant (or if Agent notifies Borrower that the Required Lenders wish to amend Article V for such purpose), then Borrower’s compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to Borrower and the Required Lenders.

Section 1.03 *Terms Generally*. The foregoing definitions shall be applicable to the singular and plurals of the foregoing defined terms.

ARTICLE II. AMOUNT AND TERMS OF CREDIT

Section 2.01 *Commitment*.

(a) Subject to the terms and conditions of this Agreement, each Lender shall participate, to the extent hereinafter provided, in making Loans to Borrower, participating in Loans made by the Agent and issuing,

amending or renewing or participating in Letters of Credit at the request of Borrower, in such aggregate amount as Borrower shall request pursuant to the Commitment; *provided* that in no event shall the Revolving Credit Exposure exceed the Total Commitment Amount.

(b) Each Lender, for itself and not one for any other, agrees to make Loans, participate in Swing Loans made by the Agent and to participate in Letters of Credit issued, amended or renewed by the LC Issuer hereunder during the Commitment Period on such basis that, (i) subject to the proviso in Section 2.12(a) hereof, immediately after the completion of any borrowing by Borrower or issuance, amendment or renewal of a Letter of Credit hereunder, the Dollar Equivalent of the aggregate outstanding principal amount on the Notes (other than the Swing Line Note) issued to such Lender, when combined with such Lender's pro rata share of the Letter of Credit Exposure, shall not be in excess of such Lender's Revolving Credit Commitment, and (ii) such Dollar Equivalent of the aggregate principal amount outstanding on the Notes (other than the Swing Line Note) issued to such Lender shall represent that percentage of the Dollar Equivalent of the aggregate outstanding principal amount on all Notes (including the Notes held by such Lender) that is such Lender's Commitment Percentage.

(c) Each borrowing (other than Swing Loans, which shall be risk participated on a pro rata basis) from the Lenders hereunder shall be made pro rata according to the respective Commitment Percentages.

Section 2.02 Loans and Letters of Credit.

(a) *Revolving Loans.* Subject to the terms and conditions of this Agreement (including the proviso in Section 2.12(a) hereof), during the Commitment Period, the Lenders shall make a Revolving Loan or Revolving Loans to Borrower in such amount or amounts as Borrower may from time to time request, but not exceeding in aggregate principal amount at any time outstanding hereunder the Total Commitment Amount, when such Revolving Loans are combined with the Swing Line Exposure and the Letter of Credit Exposure. Borrower shall have the option, subject to the terms and conditions set forth herein, to borrow Revolving Loans, maturing on the last day of the Commitment Period, by means of any combination of Base Rate Loans, Eurodollar Loans or Alternate Currency Loans. With respect to each Alternate Currency Loan, subject to the other provisions of this Agreement, Borrower shall receive all of the proceeds of such Alternate Currency Loan in one Alternate Currency and repay such Alternate Currency Loan in the same Alternate Currency. Subject to the provisions of this Agreement, Borrower shall be entitled under this Section 2.02(a) to borrow funds, repay the same in whole or in part and re-borrow hereunder at any time and from time to time during the Commitment Period.

(b) *Swing Loans.*

(i) *Generally.* Subject to the terms and conditions of this Agreement (including the proviso in Section 2.12(a) hereof), during the Commitment Period, Agent shall make a Swing Loan or Swing Loans to Borrower in such amount or amounts as Borrower may from time to time request; *provided* that Borrower shall not request any Swing Loan hereunder if, after giving effect thereto, (x) the Revolving Credit Exposure would exceed the Total Commitment Amount, or (y) the Swing Line Exposure would exceed the Swing Line Commitment. Each Swing Loan shall be due and payable on the Swing Loan Maturity Date applicable thereto. Borrower shall not request that more than two Swing Loans be outstanding at any time. Each Swing Loan shall be made in Dollars. Subject to the provisions of this Agreement, Borrower shall be entitled under this Section 2.02(b) to borrow funds, repay the same in whole or in part and reborrow hereunder at any time and from time to time during the Commitment Period.

(ii) *Refunding of Swing Loans.* If Agent so elects, by giving notice to Borrower and the Lenders, Borrower agrees that Agent shall have the right at any time (whether before or after the Swing Loan Maturity Date applicable to any Swing Loan), in its sole discretion, to require that any Swing Loan be refinanced as a Revolving Loan. Such Revolving Loan shall be a Base Rate Loan unless and until converted by Borrower to a Eurodollar Loan pursuant to Section 2.03 hereof. Upon receipt of such notice by Borrower, Borrower shall be deemed, on such day, to have requested a Revolving Loan in the principal amount of the Swing Loan in accordance with Section 2.03 hereof. Each Lender agrees to make a Revolving Loan on the date of such notice, subject to no conditions precedent whatsoever. Each Lender acknowledges and agrees that such Lender's obligation to make a Revolving Loan pursuant to Section 2.02(a) when required by this Section 2.02(b) shall be absolute and unconditional and shall not be affected by any circumstance

whatsoever, including, without limitation, the occurrence and continuance of a Default or Event of Default, and that its payment to Agent, for the account of Agent, of the proceeds of such Revolving Loan shall be made without any offset, abatement, recoupment, counterclaim, withholding or reduction whatsoever and whether or not such Lender's Commitment Percentage shall have been reduced or terminated. Borrower irrevocably authorizes and instructs Agent to apply the proceeds of any borrowing pursuant to this paragraph to repay in full such Swing Loan.

(iii) *Participations.* If, for any reason, Agent is unable to or, in the opinion of Agent, it is impracticable to, refinance any Swing Loan as a Revolving Loan pursuant to the preceding paragraph, then on any day that a Swing Loan is outstanding (whether before or after the Swing Loan Maturity Date applicable to any Swing Loan), Agent shall have the right to request that each Lender purchase a participation in such Swing Loan, and Agent shall promptly notify each Lender thereof (by facsimile or telephone, confirmed in writing). Upon such notice, but without further action, Agent hereby agrees to grant to each Lender, and each Lender hereby agrees to acquire from Agent, an undivided participation interest in such Swing Loan in an amount equal to such Lender's Commitment Percentage of the aggregate principal amount of such Swing Loan. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to Agent, for its sole account, such Lender's ratable share of such Swing Loan (determined in accordance with such Lender's Commitment Percentage). Each Lender acknowledges and agrees that its obligation to acquire participations in Swing Loans pursuant to this Section 2.02(b) shall be absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, the occurrence and continuance of a Default or an Event of Default, and that each such payment shall be made without any offset, abatement, recoupment, counterclaim, withholding or reduction whatsoever and whether or not such Lender's Revolving Credit Commitment shall have been reduced or terminated. Each Lender shall comply with its obligation under this Section 2.02(b) by wire transfer of immediately available funds, in the same manner as provided in Section 2.03 hereof with respect to Revolving Loans to be made by such Lender. Notwithstanding the foregoing, no Lender shall be obligated to purchase a participation in a Swing Loan pursuant to this subsection if such Swing Loan was made by Agent after Agent has received written notice of the existence of a Default or Event of Default pursuant to Section 9.06 and/or Section 5.14 hereof.

(c) *Letters of Credit.*

(i) *Generally.* Subject to the LC Terms and Conditions, during the Commitment Period, the LC Issuer shall, in its own name, but only as agent for the Lenders, issue such Letters of Credit for the account of any Company, as Borrower may from time to time request. Any such Letter of Credit may be issued in Dollars or any Alternate Currency. Borrower shall not request any Letter of Credit (and the LC Issuer shall not be obligated to issue any Letter of Credit) if, after giving effect thereto, (a) the Letter of Credit Exposure would exceed the Letter of Credit Commitment or (b) the Revolving Credit Exposure would exceed the Total Commitment Amount.

(ii) *Reimbursement Obligations.* Whenever a Letter of Credit is drawn, Borrower shall immediately reimburse the LC Issuer for the amount drawn. In the event that the amount drawn is not reimbursed by Borrower within one Business Day of the drawing of such Letter of Credit, Borrower shall be deemed to have requested a Revolving Loan in the amount drawn. The LC Issuer shall promptly deliver written notice of such drawing to Borrower, Agent and the Lenders. Each Lender agrees to make a Revolving Loan on the date of such notice, subject to no conditions precedent whatsoever. Such Revolving Loan shall be evidenced by the Revolving Credit Notes. Each Lender acknowledges and agrees that its obligation to make a Revolving Loan pursuant to Section 2.02(a) when required by this Section 2.02(c) is absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, the occurrence and continuance of a Default or Event of Default, and that its payment to Agent, for the account of the LC Issuer, of the proceeds of such Revolving Loan shall be made without any offset, abatement, recoupment, counterclaim, withholding or reduction whatsoever and whether or not such Lender's Revolving Credit Commitment shall have been reduced or terminated. Borrower irrevocably authorizes and instructs Agent to apply the proceeds of any borrowing pursuant to this paragraph to reimburse, in full, the LC Issuer for the amount drawn on such Letter of Credit and the LC Issuer shall apply such proceeds to

repay in full such amount. Each such Revolving Loan shall be deemed to be a Base Rate Loan unless otherwise requested by and available to Borrower hereunder. Each Lender is hereby authorized to record on its records relating to its Revolving Credit Note such Lender's pro rata share of the amounts paid and not reimbursed on the Letters of Credit.

(iii) *Participations.* The issuance of each Letter of Credit (including the deemed issuance of each Existing Letter of Credit on the Closing Date) shall confer upon each Lender the benefits and liabilities of a participation consisting of an undivided pro rata interest in such Letter of Credit to the extent of such Lender's Commitment Percentage. If, for any reason, any Unreimbursed Letter of Credit Obligations exist that were required to be reimbursed or repaid in accordance with subpart (ii) above, then until such Unreimbursed Letter of Credit Obligations have been reimbursed or repaid, Agent shall have the right to request (and at the instruction of the LC Issuer shall request) that each Lender purchase a participation in such Unreimbursed Letter of Credit Obligations, and Agent shall promptly notify each Lender thereof (by facsimile or telephone, confirmed in writing). Upon such notice, but without further action, the LC Issuer hereby agrees to grant to each Lender, and each Lender hereby agrees to acquire from the LC Issuer, an undivided participation interest in such Unreimbursed Letter of Credit Obligations in an amount equal to such Lender's Commitment Percentage of such Unreimbursed Letter of Credit Obligations. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to Agent, for the account of the LC Issuer, such Lender's ratable share of such Unreimbursed Letter of Credit Obligations (determined in accordance with such Lender's Commitment Percentage). Each Lender acknowledges and agrees that its obligation to acquire participations in Unreimbursed Letter of Credit Obligations pursuant to this Section 2.03(c)(iii) shall be absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, the occurrence and continuance of a Default or an Event of Default, and that each such payment shall be made without any offset, abatement, recoupment, counterclaim, withholding or reduction whatsoever and whether or not such Lender's Revolving Credit Commitment shall have been reduced or terminated. Each Lender shall comply with its obligation under this Section 2.03(c)(iii) by wire transfer of immediately available funds, in the same manner as provided in Section 2.03 hereof with respect to Revolving Loans to be made by such Lender. Notwithstanding the foregoing, no Lender shall be obligated to purchase a participation in any Unreimbursed Letter of Credit Obligations pursuant to this subsection if the Letter of Credit giving rise to such Unreimbursed Letter of Credit Obligations was issued by the LC Issuer after the LC Issuer has received written notice of the existence of a Default or Event of Default from Agent pursuant to Section 9.06 hereof and/or from Borrower pursuant to Section 5.14 hereof.

(iv) *Notice to LC Issuer.* Agent shall promptly notify the LC Issuer if at any time Agent receives a copy of a request for a Letter of Credit pursuant to Section 2.03(a)(ii) hereof and after giving effect to such request the Letter of Credit Exposure would exceed the available Letter of Credit Commitment.

(v) *LC Issuer Report.* Within 10 Business Days after the end of each calendar month (or such later date as permitted by Agent), the LC Issuer shall deliver to Agent a written report that lists all Letters of Credit outstanding as of the end of such month and includes, among other things, with respect to each such Letter of Credit, the face amount thereof, the amounts drawn, if any, thereunder, the beneficiary thereof, and the expiration date thereof.

(vi) *Existing Letters of Credit.* On and after the Closing Date, each Existing Letter of Credit shall be deemed to have been issued by the LC Issuer pursuant to the terms of this Agreement and shall constitute a Letter of Credit for all purposes hereof and under this Agreement and the other Loan Documents. Borrower agrees that it shall be liable with respect to any drawing made under any of the Existing Letters of Credit in accordance with this Section 2.02 and the other provisions of this Agreement. Each Existing Letter of Credit Issuer agrees that on and after the Closing Date (A) the fees applicable to each Existing Letter of Credit shall be the fees set forth in Section 2.09(b) hereof, and (B) any reimbursement agreement in effect with respect to each Existing Letter of Credit shall be deemed terminated and each Existing Letter of Credit shall be governed by and subject to the terms and conditions of this Agreement, *provided* that Borrower or such other Company for whose benefit any Existing Letter of Credit was issued shall, upon request of any Existing Letter of Credit Issuer, execute and deliver to such Existing Letter of Credit Issuer a new

application and agreement, being in the standard form of such Existing Letter of Credit Issuer for such letters of credit, as amended to conform to the provisions of and to eliminate any inconsistencies with this Agreement if required by Agent, such Existing Letter of Credit Issuer or Borrower.

(vii) *Applicants other than Guarantors of Payment.* If a Letter of Credit is requested hereunder for the account of a Company other than Borrower or a Guarantor of Payment, such Company shall, on or before the date on which such request is made, acknowledge and agree in writing, in form and substance satisfactory to Agent and the LC Issuer, that it will be bound by the LC Terms and Conditions with respect to all Letters of Credit requested to be issued for its account, and such writing shall be delivered to Agent and the LC Issuer.

Section 2.03 *Notice of Credit Event; Funding of Loans, Etc.*

(a) *Notice of Loans and Letters of Credit.*

(i) Agent shall have received a Notice of Loan prior to any Credit Event by (A) 11:30 A.M. (Cleveland, Ohio time) on the proposed date of borrowing or conversion of any Base Rate Loan, (B) 11:30 A.M. (Cleveland, Ohio time) three Business Days prior to the proposed date of borrowing, conversion or continuation of any Eurodollar Loan, (C) 11:00 A.M. (Cleveland, Ohio time) three Business Days prior to the proposed date of borrowing of any Alternate Currency Loan, and (D) 12:00 Noon (Cleveland, Ohio time) on the proposed date of borrowing of any Swing Loan.

(ii) Agent and the LC Issuer shall have received a Letter of Credit Request not later than 11:00 A.M. (Cleveland, Ohio time) two Business Days prior to the day upon which the Letter of Credit is to be issued. Concurrently with each such request, Borrower shall execute and deliver or shall cause such other Company for whose benefit the Letter of Credit is to be issued to execute and deliver to the LC Issuer a LC Application, in form and substance reasonably satisfactory to the LC Issuer.

(b) *Conversion of Loans.* At the request of Borrower to Agent, subject to the notice and other provisions of Section 2.03(a) hereof, the Lenders shall convert Base Rate Loans to Eurodollar Loans at any time and shall convert Eurodollar Loans to Base Rate Loans on any Interest Adjustment Date. No Alternate Currency Loan may be converted to a Base Rate Loan or a Eurodollar Loan.

(c) *Minimum Amount.* Borrower's request for (i) a Base Rate Loan shall be in an amount of not less than \$1,000,000, increased by increments of \$500,000, (ii) a Fixed Rate Loan shall be in an amount (or, with respect to an Alternate Currency Loan, the Dollar Equivalent) of not less than \$5,000,000, increased by increments of \$1,000,000 (or, with respect to an Alternate Currency Loan, such approximately comparable amount as shall result in a rounded number of the applicable Alternate Currency), and (iii) a Swing Loan shall be in an amount not less than \$1,000,000.

(d) *Interest Periods.* At no time shall Borrower request that Fixed Rate Loans be outstanding for more than ten different Interest Periods at any time, and, if Base Rate Loans are outstanding, then Fixed Rate Loans shall be limited to nine different Interest Periods at any time.

(e) *Indemnification.* Each request for a Fixed Rate Loan shall be irrevocable and binding on Borrower and Borrower shall indemnify Agent and the Lenders against any loss or expense incurred by Agent or the Lenders as a result of any failure by Borrower to consummate such transaction including, without limitation, any loss (including loss of anticipated profits) or expense incurred by reason of liquidation or re-employment of deposits or other funds acquired by the Lenders to fund such Fixed Rate Loan. A certificate as to the amount of such loss or expense submitted by the Lenders to Borrower shall be conclusive and binding for all purposes, absent manifest error.

(f) *Funding of Loans.* Agent shall notify each Lender of the date, amount, type of currency and initial Interest Period (if applicable) of any Eurodollar Loan or Alternate Currency Loan promptly upon the receipt of such notice, and, in any event, by 2:00 P.M. (Cleveland, Ohio time) on the date such notice is received. On the date such Loan is to be made, each Lender shall provide Agent, not later than 3:00 P.M. (Cleveland, Ohio time), with the amount in federal or other immediately available funds, required of it. If Agent elects to advance the proceeds of such Loan prior to receiving funds from such Lender, Agent shall have the right, upon prior notice to

Borrower, to debit any account of Borrower or otherwise receive from Borrower, on demand, such amount, in the event that such Lender fails to reimburse Agent in accordance with this subsection. Agent shall also have the right to receive interest from such Lender at the Federal Funds Effective Rate in the event that such Lender shall fail to provide its portion of the Loan on the date requested and Agent elects to provide such funds.

Section 2.04 *Interest.*

(a) *Revolving Loans.*

(i) *Base Rate Loans.* Borrower shall pay interest on the unpaid principal amount of Revolving Loans that are Base Rate Loans outstanding from time to time from the date thereof until paid at the Derived Base Rate from time to time in effect. Interest on such Base Rate Loans shall be payable, commencing September 30, 2007, and on the last day of each succeeding December, March June and September thereafter and at the maturity thereof.

(ii) *Fixed Rate Loans.* Borrower shall pay interest on the unpaid principal amount of each Revolving Loan that is a Eurodollar Loan or an Alternate Currency Loan outstanding from time to time, fixed in advance on the first day of the Interest Period applicable thereto through the last day of the Interest Period applicable thereto (but subject to changes in the Applicable Margin), at the Derived Fixed Rate. Interest on all such Fixed Rate Loans shall be payable on each Interest Adjustment Date (*provided* that if an Interest Period exceeds three months, the interest must be paid every three months, commencing three months from the beginning of such Interest Period).

(b) *Swing Loans.* Borrower shall pay interest, for the sole benefit of Agent (and any Lender that has purchased a participation in such Swing Loan), on the unpaid principal amount of each Swing Loan outstanding from time to time from the date thereof until paid at the Derived Swing Loan Rate applicable to such Swing Loan. Interest on each Swing Loan shall be payable on the Swing Loan Maturity Date applicable thereto. Each Swing Loan shall bear interest for a minimum of one day.

(c) *Default Rate.* Anything herein to the contrary notwithstanding, if an Event of Default shall occur hereunder, at the option of Agent or the Required Lenders, (i) the principal of each Note, the unpaid interest thereon and any other amount owing hereunder shall bear interest at the Default Rate and (ii) the fee applicable to any Letter of Credit shall be increased to the Default Rate.

Section 2.05 *Evidence of Indebtedness.*

(a) *Revolving Loans.* The obligation of Borrower to repay the Revolving Loans made by each Lender and to pay interest thereon shall be evidenced by a Revolving Credit Note, payable to the order of such Lender in the principal amount of its Revolving Credit Commitment, or, if less, the aggregate unpaid principal amount of Revolving Loans made hereunder by such Lender.

(b) *Swing Loans.* The obligation of Borrower to repay the Swing Loans and to pay interest thereon shall be evidenced by a Swing Line Note, payable to the order of Agent in the principal amount of the Swing Line Commitment, or, if less, the aggregate unpaid principal amount of Swing Loans made hereunder by Agent.

(c) *Loan Accounts.* Agent, the LC Issuer and each Lender, as applicable, shall record any principal, interest or other payment, the principal amounts of Base Rate Loans and Fixed Rate Loans, the type of currency for each Loan, all prepayments and the applicable dates, including Interest Periods, with respect to the Loans made, and payments received by such Lender, and the amount and other details with respect to each Letter of Credit, by such method as Agent, the LC Issuer or such Lender may generally employ; *provided, however*, that failure to make any such entry shall in no way detract from the obligations of Borrower under the Notes. The aggregate unpaid amount of Loans, types of Loans, Interest Periods, and outstanding Letters of Credit and similar information with respect to such Loans and Letters of Credit set forth on the records of Agent shall be rebuttably presumptive evidence with respect to such information, including the amounts of principal and interest owing and unpaid on each Note.

Section 2.06 *Payment on Notes, Etc.*

(a) *Payments Generally.* Each payment made hereunder by Borrower shall be made without any offset, abatement, recoupment, counterclaim, withholding or reduction whatsoever.

(b) *Payments in Alternate Currency.* With respect to any Alternate Currency Loan, all payments (including prepayments) to any Lender of the principal of or interest on such Alternate Currency Loan shall be made in the same Alternate Currency as the original Loan. With respect to any Alternate Currency Letter of Credit, all Unreimbursed Letter of Credit Obligations with respect to each such Letter of Credit shall be made in the same Alternate Currency in which each such Letter of Credit was issued, unless, in the case of any Unreimbursed Letter of Credit Obligations owing to the LC Issuer, the LC Issuer agrees otherwise. All such payments, reimbursements and repayments shall be remitted by Borrower to Agent at Agent's main office (or at such other office or account as designated in writing by Agent to Borrower) for the account of the Lenders or the LC Issuer, as the case may be, not later than 1:00 P.M. (Cleveland, Ohio time) on the due date thereof in same day funds. Any payments received by Agent after 1:00 P.M. (Cleveland, Ohio time) shall be deemed to have been made and received on the next following Business Day.

(c) *Payments in Dollars.* With respect to (i) the payment of any Loan (other than an Alternate Currency Loan) or Unreimbursed Letter of Credit Obligations payable in Dollars, or (ii) any other payment to Agent and the Lenders that is not covered by subsection (b) hereof, all such payments (including prepayments) to Agent and the Lenders of the principal of or interest on such Loan or other payment, including but not limited to principal, interest, facility or other fees or any other amount owed by Borrower under this Agreement, shall be made in Dollars. All payments described in this subsection (c) shall be remitted to Agent at its main office for the account of the Lenders or the LC Issuer, as the case may be, not later than 1:00 P.M. (Cleveland, Ohio time) on the due date thereof in immediately available funds. Any such payments received by Agent after 1:00 P.M. (Cleveland, Ohio time) shall be deemed to have been made and received on the next following Business Day.

(d) *Payments to Lenders.* Upon Agent's receipt of payments hereunder, Agent shall immediately distribute to each Lender or the LC Issuer, as the case may be, its ratable share, if any, of the amount of principal, interest, and facility and other fees received by it for the account of such Lender. Payments received by Agent in Dollars shall be delivered to the Lenders or the LC Issuer, as the case may be, in Dollars in immediately available funds. Payments received by Agent in any Alternate Currency shall be delivered to the Lenders or the LC Issuer, as the case may be, in such Alternate Currency in same day funds.

(e) *Timing of Payments.* Whenever any payment to be made hereunder, including, without limitation, any payment to be made on any Note, shall be stated to be due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall in each case be included in the computation of the interest payable on such Note; *provided, however,* that, with respect to any Fixed Rate Loan, if the next succeeding Business Day falls in the succeeding calendar month, such payment shall be made on the preceding Business Day and the relevant Interest Period shall be adjusted accordingly.

Section 2.07 *Payments Net of Taxes; Foreign Lenders.*

(a) *General Provisions.* All payments on account of principal, if any, interest and other fees and amounts payable hereunder shall be made without set-off or counterclaim and, unless otherwise required by law, shall be made free and clear of and without deduction for any Tax, present or future, imposed by any taxing authority in any jurisdiction. If Borrower shall be required to withhold or pay any Tax, it shall make the required withholding and payment in accordance with and within the time allowed by law, and shall nonetheless pay to the appropriate Lender such additional amounts as shall be necessary to cause such Lender actually to receive in full all amounts (after taking account of any further deduction or withholding that is required to be made as a consequence of the payment of such additional amounts) on account of principal and interest or other fees or amounts owing to it hereunder, as if such Tax had not been paid. As soon as practicable after the date that any Tax shall become due and payable, (i) Borrower shall give to such Lender the original or a copy of a receipt for the payment of the Tax, or, if such receipts are not issued by or received from the taxing authority to which the Tax was paid, a certificate of an officer of Borrower, confirming the date and amount of the payment so made and reasonable details of the calculation of the amount due; and (ii) Borrower shall indemnify and save such Lender harmless from and against any claim, liability, loss, cost, expense (including without limitation legal, accounting and other professional fees, and interest and penalty charges or fines imposed by any taxing authority in respect of or arising from non-payment of such Tax) to which such Lender may be exposed or that it may incur, by reason of Borrower's failure to make punctual payment of any amount required to be paid to a taxing authority pursuant to this subsection (b) hereof.

(b) *Foreign Lenders.* Each Lender party to this Agreement as of the Closing Date that is organized under the laws of any jurisdiction other than the United States or any state thereof (i) represents that under applicable law and treaties no taxes will be required to be withheld by Agent, Borrower or such Lender with respect to any payments to be made in the United States to such Lender in respect of the Loans that were made in the United States or other amounts payable hereunder in respect of Debt incurred in the United States, (ii) shall have furnished to Agent and Borrower on or prior to the Closing Date either (A) U.S. Internal Revenue Service Form W-8ECI or U.S. Internal Revenue Service Form W-8BEN or (B) United States Internal Revenue Service Form W-8 or W-9, as applicable (wherein such Lender claims entitlement to complete exemption from U.S. federal withholding tax on all interest payments hereunder), and (iii) agrees to provide to Agent and Borrower a new Form W-8ECI or Form W-8BEN or Form W-8 or W-9, as applicable, upon the expiration or obsolescence of any previously delivered form and comparable statements in accordance with applicable U.S. laws and regulations and amendments duly executed and completed by such Lender, and to comply from time to time with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

Section 2.08 *Prepayment.*

(a) *Right to Prepay.*

(i) Subject to the provisions of Section 2.08(b) below, Borrower shall have the right, at any time or from time to time, to prepay, on a pro rata basis for all of the Lenders, all or any part of the outstanding principal amount of Revolving Loans, as designated by Borrower, plus interest accrued on the amount so prepaid to the date of such prepayment; and

(ii) Subject to the provisions of Section 2.08(b) below, Borrower shall have the right, at any time or from time to time, to prepay, for the benefit of Agent (and any Lender that has purchased a participation in such Swing Loan), all or any part of the outstanding principal amount of Swing Loans, as designated by Borrower, plus interest accrued on the amount so prepaid to the date of such prepayment.

(b) *Prepayment Fees.*

(i) *Base Rate Loans.* Prepayments of Base Rate Loans shall be without any premium or penalty.

(ii) *Fixed Rate Loans.* In any case of prepayment of a Fixed Rate Loan prior to the last date of the applicable Interest Period, Borrower agrees that if the reinvestment rate, as quoted by the money desk of Agent (and determined by such money desk with respect to its cost of funds for the remaining portion of the applicable Interest Period) (the "*Reinvestment Rate*"), shall be lower than the Alternate Currency Rate or Eurodollar Rate applicable to such Fixed Rate Loan that is intended to be prepaid (hereinafter, the "*Current Rate*"), then Borrower shall, upon written notice by Agent, promptly pay to Agent, for the benefit of the Lenders, in immediately available funds, a prepayment fee equal to the product of (a) a rate (the "*Prepayment Rate*") that shall be equal to the difference between the Current Rate and the Reinvestment Rate, times (b) the principal amount of the Fixed Rate Loan that is to be prepaid, times (c) (i) the number of days remaining in the Interest Period of the Fixed Rate Loan that is to be prepaid divided by (ii) 360. In addition, Borrower shall immediately pay to Agent, for the account of the Lenders, the amount of any additional costs or expenses (including, without limitation, cost of telex, wires, or cables) incurred by Agent or the Lenders in connection with the prepayment, upon Borrower's receipt of a written statement from Agent. Each prepayment of a Fixed Rate Loan shall be in the aggregate principal amount of not less than \$5,000,000, except in the case of a mandatory prepayment pursuant to Section 2.12 or Article III hereof.

(iii) *Swing Loans.* In the case of prepayment of a Swing Loan, Borrower agrees to pay to Agent, on demand, for any resulting loss (including loss of anticipated profits), cost or expense of Agent as a result thereof, including, without limitation, any loss incurred in obtaining, liquidating or employing deposits.

(c) *Notice of Prepayment.* Borrower shall give Agent written notice of prepayment of any Swing Loan or Base Rate Loan by not later than 11:00 A.M. (Cleveland, Ohio time) on the Business Day such prepayment is to be made and written notice of the prepayment of any Fixed Rate Loan not later than 1:00 P.M. (Cleveland, Ohio time) three Business Days prior to the Business Day on which such prepayment is to be made.

(d) *Minimum Amount.* Except in the case of a prepayment in full of any Loan, each prepayment of (i) a Fixed Rate Loan by Borrower shall be in the aggregate principal amount of not less than \$5,000,000 (or, with respect to an Alternate Currency Loan, the Dollar Equivalent of such amount) and (ii) a Base Rate Loan by Borrower shall be in the aggregate principal amount of not less than \$1,000,000, except in the case of a mandatory prepayment in connection with Section 2.12 hereof or Article III hereof.

(e) *Certificate.* Any Lender seeking reimbursement or indemnification pursuant to any provision of this Section 2.08 shall present a certificate to Borrower setting forth the calculations therefor, which certificate shall, in the absence of manifest error, be conclusive and binding as to the amount thereof.

Section 2.09 *Facility, Letter of Credit and Other Fees.*

(a) Borrower shall pay to Agent, for the ratable account of the Lenders, as a consideration for the Commitment, a facility fee from the Closing Date to and including the last day of the Commitment Period, computed for each day at a rate per annum equal to (i) the Applicable Facility Fee Rate in effect for such day, times (ii) the Total Commitment Amount in effect on such day. The facility fee shall be payable in arrears on September 30, 2007, and on the last day of each succeeding December, March, June and September thereafter and on the last day of the Commitment Period.

(b) In respect of each Letter of Credit and the drafts thereunder, if any, whether issued for the account of Borrower or any other Company, Borrower agrees (i) to pay to Agent, for the pro rata benefit of the Lenders, a non-refundable commission based upon the face amount of the Letter of Credit, which shall be paid quarterly in arrears (within two (2) Business Days after receipt of the invoice therefor) at a rate per annum equal to the Applicable Margin for Fixed Rate Loans (in effect on the date such Letter of Credit is issued, amended or renewed) times the face amount of such Letter of Credit during such fiscal quarter; (ii) to pay to the LC Issuer, for its own account as issuing bank, a fronting fee based upon the face amount of the Letter of Credit, which shall be paid on each date that such Letter of Credit is issued, amended or renewed, at a rate per annum equal to 10 basis points times the face amount of such Letter of Credit; and (iii) to pay to the LC Issuer, for its sole account, such other reasonable administrative fees of the LC Issuer (at the rates specified by the LC Issuer from time to time in schedules delivered by the LC Issuer to Borrower) with respect to each Letter of Credit (including, without limitation, all fees associated with any amendment to, drawing under, banker's acceptance pursuant to, or transfer of a Letter of Credit), such fees to be payable on demand by the LC Issuer therefor.

(c) Borrower shall pay to Agent, for its sole benefit, the fees set forth in the Agent Fee Letter.

Section 2.10 *Modification of Commitment.*

(a) *Voluntary Reduction.* Borrower may at any time or from time to time permanently reduce in whole or ratably in part the Total Commitment Amount hereunder to an amount not less than the then existing Revolving Credit Exposure, by giving Agent not fewer than three Business Days' notice of such reduction, *provided* that any such partial reduction shall be in an aggregate amount, for all of the Lenders, of not less than \$10,000,000. Agent shall promptly notify each Lender of the effective date of each reduction of the Commitment pursuant to this Section and such Lender's proportionate share thereof. If the Total Commitment Amount is permanently reduced to zero, on the effective date of such reduction (Borrower having prepaid in full the unpaid principal balance, if any, of the Notes, together with all interest and facility and other fees accrued and unpaid, and *provided* that no Letter of Credit Exposure shall exist), all of the Notes shall be delivered by the Lenders to Agent marked "Canceled" and Agent shall redeliver such Notes to Borrower. Any partial reduction in the Total Commitment Amount shall be effective during the remainder of the Commitment Period.

(b) *Increase in Commitments.*

(i) Once per calendar year (or more frequently as permitted by Agent) Borrower may, by written notice to Agent, request that the Total Commitment Amount be increased by an amount not to exceed \$100,000,000 in the aggregate for all such increases from the Closing Date until the last day of the Commitment Period, *provided* that (A) no Default or Event of Default has occurred and is continuing at the time of such request and on the date of any such increase and (B) Borrower shall have delivered to Agent, together with such written notice, a copy of Borrower's duly adopted corporate resolutions, in form and

substance satisfactory to Agent, that authorize the requested increase in the Total Commitment Amount, which resolutions shall be certified by the Secretary of Borrower as being true, correct, complete and in full force and effect. Upon receipt of any such request, Agent shall deliver a copy of such request to each Lender. Borrower shall set forth in such request the amount of the requested increase in the Total Commitment Amount (which in each case shall be in a minimum amount of \$25,000,000 and in such minimum increments in excess thereof as Agent shall permit) and the date on which such increase is requested to become effective (which shall be not less than 10 Business Days nor more than 60 days after the date of such request and that, in any event, must be at least 90 days prior to the last day of the Commitment Period), and shall offer each Lender the opportunity to increase its Revolving Credit Commitment by its Commitment Percentage of the proposed increased amount. Each Lender shall, by notice to Borrower and Agent given not more than 10 days after the date of Agent's notice, either agree to increase its Revolving Credit Commitment by all or a portion of the offered amount (each such Lender so agreeing being an "Increasing Lender") or decline to increase its Revolving Credit Commitment (and any such Lender that does not deliver such a notice within such period of 10 days shall be deemed to have declined to increase its Revolving Credit Commitment and each Lender so declining or being deemed to have declined being a "Non-Increasing Lender"). If, on the 10th day after Agent shall have delivered notice as set forth above, the Increasing Lenders shall have agreed pursuant to the preceding sentence to increase their Revolving Credit Commitments by an aggregate amount less than the increase in the Total Commitment Amount requested by Borrower, Borrower may arrange for one or more banks or other entities that are acceptable to Agent (each such Person so agreeing being an "Augmenting Lender"), and Borrower and each Augmenting Lender shall execute all such documentation as Agent shall reasonably specify to evidence its Revolving Credit Commitment and/or its status as a Lender with a Revolving Credit Commitment hereunder. Any increase in the Total Commitment Amount may be made in an amount that is less than the increase requested by Borrower if Borrower is unable to arrange for, or chooses not to arrange for, Augmenting Lenders, in the full amount.

(ii) Each of the parties hereto agrees that Agent may take any and all actions as may be reasonably necessary to ensure that after giving effect to any increase in the Total Commitment Amount pursuant to this Section, the outstanding Revolving Loans (if any) are held by the Lenders with Revolving Credit Commitments in accordance with their new Commitment Percentages. This may be accomplished at the discretion of Agent: (w) by requiring the outstanding Loans to be prepaid with the proceeds of new Loans; (x) by causing the Non-Increasing Lenders to assign portions of their outstanding Loans to Increasing Lenders and Augmenting Lenders; (y) by permitting the Loans outstanding at the time of any increase in the Total Commitment Amount pursuant to this Section 2.10(b) to remain outstanding until the last days of the respective Interest Periods therefor, even though the Lenders would hold such Loans other than in accordance with their new Commitment Percentages; or (z) by any combination of the foregoing.

Section 2.11 *Computation of Interest and Fees.* With the exception of Alternate Currency Loans made in Pounds Sterling, Canadian Dollars or Australian Dollars and Base Rate Loans, interest on Loans, Unreimbursed Letter of Credit Obligations and facility and other fees and charges hereunder, shall be computed on the basis of a year having 360 days and calculated for the actual number of days elapsed. With respect to Alternate Currency Loans made in Pounds Sterling, Canadian Dollars or Australian Dollars and Base Rate Loans, interest shall be computed on the basis of a year having three 365 days or 366 days, as the case may be, and calculated for the actual number of days elapsed.

Section 2.12 *Mandatory Payment.*

(a) If, as of any date, (i) the Revolving Credit Exposure shall exceed the Total Commitment Amount, Borrower shall prepay, by no later than the next Business Day, an aggregate principal amount of the Loans sufficient to bring the Revolving Credit Exposure within the Total Commitment Amount or, (ii) the Letter of Credit Exposure exceeds the Letter of Credit Commitment, the Borrower shall deposit in a cash collateral account maintained by the Agent an amount in Dollars equal to the amount of any such excess to be held as security for the Borrower's obligations in respect of Letters of Credit (and which will be returned to the Borrower to the extent that the amount of cash collateral provided hereunder exceeds the greater of (x) the amount by which the Revolving Credit Exposure exceeds the Total Commitment Amount and (y) the amount by which the Letter of Credit Exposure exceeds the Letter of Credit Commitment); *provided, however, that, notwithstanding*

the foregoing, if the Dollar Equivalent of the Alternate Currency Exposure has increased as a result of fluctuations in the exchange rate applicable to the relevant Alternate Currency or Alternate Currencies such that the Revolving Credit Exposure at any time exceeds the Total Commitment Amount or the Letter of Credit Exposure exceeds the Letter of Credit Commitment, then Borrower shall not be obligated to make a prepayment pursuant to this subpart (a) so long as the Revolving Credit Exposure does not exceed an amount equal to 105% of the Total Commitment Amount and the Letter of Credit Exposure does not exceed an amount equal to 105% of the Letter of Credit Commitment.

(b) Any prepayment of a Loan pursuant to this Section 2.12 shall be subject to the prepayment fees set forth in Section 2.08 hereof. Unless otherwise specified by Borrower to Agent, each such prepayment shall be applied (i) first, on a pro rata basis, to the outstanding principal balance of the Base Rate Loans, (ii) second, on a pro rata basis, to the outstanding principal balance of the Eurodollar Loans, (iii) third, on a pro rata basis, to the outstanding principal balance of the Alternate Currency Loans, and (iv) fourth, to the outstanding principal balance of the Swing Loans.

Section 2.13 Extension of Commitment. At any time on or after December 31, 2009, Borrower may deliver a Request for Extension, requesting that the Lenders extend the Commitment Period for an additional year. Each such extension shall require the unanimous written consent of all of the Lenders and shall be upon such terms and conditions as may be agreed to by Borrower, Agent and the Lenders and the decision to agree or withhold agreement to any requested extension of the Commitment Period shall be at the sole discretion of each Lender. Each Lender shall, by notice to Borrower and Agent given within 30 days after such Lender's receipt of such request, advise Borrower whether or not it agrees to such extension. Any Lender that has not so advised Borrower by such day shall be deemed to have declined to agree to such extension. Borrower shall pay any attorneys' fees or other expenses of Agent in connection with the documentation of any such extension, as well as such other fees as may be agreed upon between Borrower and the Lenders.

The Commitment of any Lender that has declined to agree to any requested extension of the Commitment Period (a "Non-Extending Lender") shall terminate on the last day of the Commitment Period in effect prior to giving effect to such extension (the "Existing Maturity Date"), and the principal amount of any outstanding Loans made by such Lender, together with any accrued interest thereon, and any accrued fees and other amounts payable hereunder and owing to such Lender shall be due and payable on the Existing Maturity Date. Notwithstanding the foregoing, the Borrower shall have the right to replace a Non-Extending Lender with a Lender or one or more banks or other entities that are acceptable to Agent that will assume the Commitment of such Non-Extending Lender by executing such documentation as Agent shall reasonably specify to evidence its Revolving Credit Commitment and/or its status as a Lender with a Revolving Credit Commitment hereunder and to agree to an extension of the Commitment Period.

ARTICLE III.
ADDITIONAL PROVISIONS RELATING TO FIXED RATE
LOANS; INCREASED CAPITAL; TAXES.

Section 3.01 *Reserves or Deposit Requirements, Etc.* If, at any time, any law, treaty or regulation (including, without limitation, Regulation D of the Board of Governors of the Federal Reserve System) or the interpretation thereof by any governmental authority charged with the administration thereof or any central bank or other fiscal, monetary or other authority shall impose (whether or not having the force of law), modify or deem applicable any reserve and/or special deposit requirement (other than reserves included in the Reserve Percentage, the effect of which is reflected in the interest rate(s) of the Fixed Rate Loan(s) in question) against (a) assets held by, or deposits in or for the amount of any Fixed Rate Loan by, any Lender, or (b) assets held by, or deposits in or for the amount of any Letter of Credit issued by, the LC Issuer, and the result of the foregoing is to increase the cost (whether by incurring a cost or adding to a cost) to such Lender or the LC Issuer of making or maintaining hereunder such Fixed Rate Loan or Letter of Credit, as the case may be, or to reduce the amount of principal or interest received by such Lender with respect to such Fixed Rate Loan or the LC Issuer with respect to such Letter of Credit, then, upon demand by such Lender or the LC Issuer, Borrower shall pay to such Lender from time to time on Interest Adjustment Dates with respect to such Fixed Rate Loan or the LC Issuer, as applicable,

as additional consideration hereunder, additional amounts sufficient to fully compensate and indemnify such Lender or the LC Issuer, as applicable, for such increased cost or reduced amount, assuming (which assumption such Lender or the LC Issuer need not corroborate) such additional cost or reduced amount was allocable to such Fixed Rate Loan or Letter of Credit. A certificate as to the increased cost or reduced amount as a result of any event mentioned in this Section 3.01, setting forth the calculations therefor, shall be promptly submitted by such Lender or the LC Issuer, as applicable, to Borrower and shall, in the absence of manifest error, be conclusive and binding as to the amount thereof. Notwithstanding any other provision of this Agreement, after any such demand for compensation by any Lender or the LC Issuer, Borrower, upon at least three Business Days' prior written notice to such Lender or the LC Issuer, as applicable, through Agent, may prepay any affected Fixed Rate Loan in full or terminate any affected Letter of Credit or, with respect to Eurodollar Loans, convert such Eurodollar Loan to a Base Rate Loan regardless of the Interest Period thereof. Any such prepayment or conversion shall be subject to the prepayment fees set forth in Section 2.08 hereof. Each Lender or the LC Issuer, as applicable, shall notify Borrower as promptly as practicable (with a copy thereof delivered to Agent) of the existence of any event that will likely require the payment by Borrower of any such additional amount under this Section.

Section 3.02 Tax Law, Etc.

(a) In the event that by reason of any law, regulation or requirement or in the interpretation thereof by an official authority, or the imposition of any requirement of any central bank whether or not having the force of law, any Lender or the LC Issuer shall, with respect to this Agreement or any transaction under this Agreement, be subjected to any tax, levy, impost, charge, fee, duty, deduction or withholding of any kind whatsoever (other than taxes imposed on or measured by the income of any Lender or the LC Issuer, or franchise taxes imposed on such Lender, by any jurisdiction in which such Lender or the LC Issuer is organized or in which such Lender or the LC Issuer is resident or doing business) and if any such measures or any other similar measure shall result in an increase in the cost to such Lender or the LC Issuer of making or maintaining any Fixed Rate Loan or issuing any Letter of Credit or in a reduction in the amount of principal, interest or facility fee receivable by such Lender in respect thereof, then such Lender or the LC Issuer, as the case may be, shall promptly notify Borrower stating the reasons therefor. Borrower shall thereafter pay to such Lender or the LC Issuer as appropriate, as additional consideration hereunder, such additional amounts as shall fully compensate such Lender or the LC Issuer for such increased cost or reduced amount. Borrower shall pay such amounts within five Business Days upon demand therefor from the LC Issuer or any such Lender that shall have provided to Borrower a certificate as to any such increased cost or reduced amount, setting forth the calculations therefor, which certificate shall, in the absence of manifest error, be conclusive and binding as to the amount thereof. The obligations of Borrower under this Section shall be in addition to any obligations of Borrower pursuant to Section 2.07(a) hereof.

(b) Notwithstanding any other provision of this Agreement, after any such demand for compensation by any Lender, Borrower, upon at least three Business Days' prior written notice to such Lender through Agent, may prepay any affected Fixed Rate Loan in full or, with respect to Eurodollar Loans, convert such Eurodollar Loan to a Base Rate Loan regardless of the Interest Period of any thereof. Any such prepayment or conversion shall be subject to the prepayment fees set forth in Section 2.08 hereof.

Section 3.03 Eurodollar or Alternate Currency Deposits Unavailable or Interest Rate Unascertainable. In respect of any Fixed Rate Loan, in the event that Agent shall have determined that (a) for Eurodollar Loans, that Dollar deposits or (b) for Alternate Currency Loans, that deposits of the relevant Alternate Currency, of the relevant amount for the relevant Interest Period for such Fixed Rate Loan are not available to Agent in the applicable Dollar or Alternate Currency market, as the case may be, or that, by reason of circumstances affecting such market, adequate and reasonable means do not exist for ascertaining the applicable Eurodollar Rate or Alternate Currency Rate applicable to such Interest Period, as the case may be, Agent shall promptly give notice of such determination to Borrower and (i) any notice of a new Eurodollar Loan or Alternate Currency Loan, as the case may be, (or conversion of an existing Base Rate Loan to a Eurodollar Loan) previously given by Borrower and not yet borrowed (or converted, as the case may be) shall be deemed a notice to make a Base Rate Loan, and (ii) Borrower shall be obligated either to prepay, or with respect to a Eurodollar Loan, to convert to a Base Rate Loan, any outstanding Fixed Rate Loan on the last day of the then current Interest Period with respect thereto.

Section 3.04 *Indemnity*. Without prejudice to any other provision of this Agreement, Borrower hereby agrees to indemnify each Lender against any loss or expense that such Lender may sustain or incur as a consequence of (a) any default by Borrower in payment when due of any amount hereunder in respect of any Fixed Rate Loan, or (b) the failure by Borrower to consummate the borrowing of any Fixed Rate Loan after making a request therefor, including, but not limited to, any loss of profit, premium or penalty incurred by such Lender in respect of funds borrowed by it for the purpose of making or maintaining such Fixed Rate Loan, as determined by such Lender in the exercise of its sole but reasonable discretion. A certificate as to any such loss or expense shall be promptly submitted by such Lender to Borrower and shall, in the absence of manifest error, be conclusive and binding as to the amount thereof.

Section 3.05 *Changes in Law Rendering Fixed Rate Loans Unlawful*. If at any time any new law, treaty or regulation, or any change in any existing law, treaty or regulation, or any interpretation thereof by any governmental or other regulatory authority charged with the administration thereof, shall make it unlawful for any Lender to fund any Fixed Rate Loan that it is committed to make hereunder in any Alternate Currency or Dollars, as the case may be, the commitment of such Lender to fund such Fixed Rate Loan shall, upon the happening of such event, forthwith be suspended for the duration of such illegality, and such Lender shall by written notice to Borrower and Agent declare that its commitment with respect to such Fixed Rate Loan has been so suspended and, if and when such illegality ceases to exist, such suspension shall cease and such Lender shall similarly notify Borrower and Agent. If any such change shall make it unlawful for any Lender to continue in effect the funding in the applicable Eurodollar or Alternate Currency market, as the case may be, of any Fixed Rate Loan previously made by it hereunder, such Lender shall, upon the happening of such event, notify Borrower, Agent and the other Lenders thereof in writing stating the reasons therefor, and Borrower shall, on the earlier of (a) the last day of the then current Interest Period or (b) if required by such law, regulation or interpretation, on such date as shall be specified in such notice, either convert such Fixed Rate Loan (if a Eurodollar Loan) to a Base Rate Loan or prepay such Fixed Rate Loan to the Lenders in full. Any such prepayment or conversion shall be subject to the prepayment fees described in Section 2.08 hereof.

Section 3.06 *Funding*. Each Lender may, but shall not be required to, make Fixed Rate Loans hereunder with funds obtained outside the United States.

Section 3.07 *Capital Adequacy*. If any Lender or the LC Issuer shall have determined, after the Closing Date, that the adoption of any applicable law, rule, regulation or guideline regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its lending office) or the LC Issuer with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's or the LC Issuer's capital (or the capital of its respective holding company) as a consequence of its obligations hereunder to a level below that which such Lender or the LC Issuer (or its respective holding company) could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or the LC Issuer's, as applicable, policies or the policies of its holding company with respect to capital adequacy) by an amount deemed by such Lender or the LC Issuer, as applicable, to be material, then from time to time, within 15 days after demand by such Lender or the LC Issuer, as applicable (with a copy to Agent), Borrower shall pay to such Lender or the LC Issuer, as applicable, such additional amount or amounts as shall compensate such Lender or the LC Issuer, as applicable (or its holding company) for such reduction. Each Lender or the LC Issuer shall designate a different lending office (or, with respect to the LC Issuer, a different branch or affiliate) if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Lender or the LC Issuer, as applicable, be otherwise disadvantageous to such Lender or the LC Issuer. A certificate of any Lender or the LC Issuer, as applicable, claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Lender or the LC Issuer, as applicable, may use any reasonable averaging and attribution methods. Failure on the part of any Lender or the LC Issuer to demand compensation for any reduction in return on capital with respect to any period shall not constitute a waiver of such Lender's or the LC Issuer's rights to demand compensation for any reduction in return on capital in such period or in any other period. The protection of this Section shall be

available to each Lender and the LC Issuer regardless of any possible contention of the invalidity or inapplicability of the law, regulation or other condition that shall have been imposed.

ARTICLE IV. REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants that the statements set forth in this Article IV are true, correct and complete:

Section 4.01 Corporate Existence; Subsidiaries; Foreign Qualification.

(a) Each Company is an entity duly organized, validly existing, and in good standing under the laws of its jurisdiction of organization and is duly qualified and authorized to do business and is in good standing as a foreign entity in each jurisdiction where the character of its property or its business activities makes such qualification necessary, except where the failure to so qualify would not have a Material Adverse Effect.

(b) *Schedule 4.01* sets forth (i) the jurisdiction of organization of Borrower, and (ii) each state or other jurisdiction in which Borrower is qualified to do business as a foreign corporation as of the Closing Date.

(c) *Schedule 4.01* sets forth as of the Closing Date (i) each Subsidiary of Borrower and each Subsidiary of each other Company, (ii) such Subsidiary's jurisdiction of organization, (iii) each jurisdiction in which each Material Subsidiary is qualified to do business as a foreign entity, and (iv) the direct or indirect ownership of Borrower in such Subsidiary.

Section 4.02 Corporate Authority. Borrower has the right and power and is duly authorized and empowered to enter into, execute and deliver the Loan Documents to which it is a party and to perform and observe the provisions of the Loan Documents. The Loan Documents to which Borrower is a party have been duly authorized and approved by Borrower's Board of Directors and are the valid and binding obligations of Borrower, enforceable against Borrower in accordance with their respective terms. The execution, delivery and performance of the Loan Documents will not conflict with, result in any breach in any of the provisions of, constitute a default under, or result in the creation of any Lien (other than Liens permitted under Section 5.09 hereof) upon any assets or property of Borrower or any Material Subsidiary under the provisions of Borrower's or such Material Subsidiary's Organizational Documents or any agreement.

Section 4.03 Compliance With Laws. Each Company:

(a) holds permits, certificates, licenses, orders, registrations, franchises, authorizations, and other approvals from federal, state, local, and foreign governmental and regulatory bodies necessary for the conduct of its business and is in compliance with all applicable laws relating thereto, except where the failure to do so would not have or result in a Material Adverse Effect;

(b) is in compliance with all federal, state, local, or foreign applicable statutes, rules, regulations, and orders including, without limitation, those relating to environmental protection, occupational safety and health, and equal employment practices, except where the failure to do so would not have or result in a Material Adverse Effect; and

(c) is not in violation of or in default under any agreement to which it is a party or by which its assets are subject or bound, except with respect to any violation or default that would not have or result in a Material Adverse Effect.

Section 4.04 Litigation and Administrative Proceedings. Except as disclosed on *Schedule 4.04* hereto, there are (a) no lawsuits, actions, investigations, or other proceedings pending or threatened against any Company, or in respect of which any Company may have any liability, in any court or before any governmental authority, arbitration board, or other tribunal, (b) no orders, writs, injunctions, judgments, or decrees of any court or government agency or instrumentality to which any Company is a party or by which the property or assets of any Company are bound, and (c) no grievances, disputes, or controversies outstanding with any union or other

organization of the employees of any Company, or threats of work stoppage, strike, or pending demands for collective bargaining, which, as to subsections (a) through (c) hereof, would have or would be reasonably expected to have a Material Adverse Effect.

Section 4.05 *Title to Assets*. Borrower and each Material Subsidiary has good title to and ownership of all property it purports to own, which property is free and clear of all Liens, except those permitted under Section 5.09 hereof.

Section 4.06 *Liens and Security Interests*. On and after the Closing Date, except for Liens permitted pursuant to Section 5.09 hereof, (a) to best of Borrower's knowledge, there is no financing statement (other than a precautionary financing statement filed in connection with any true operating lease or true bailment arrangement) outstanding covering any personal property of Borrower or any Material Subsidiary; (b) there is no mortgage outstanding covering any real property of Borrower or any Material Subsidiary; and (c) no real or personal property of Borrower or any Material Subsidiary is subject to any security interest or Lien of any kind other than any security interest or Lien that may be granted to Agent, for the benefit of the Lenders. Neither Borrower nor any Material Subsidiary has entered into any Material Indebtedness Agreement (other than this Agreement) that exists on or after the Closing Date that would prohibit Agent or the Lenders from acquiring a security interest, mortgage or other Lien on, or a collateral assignment of, any of the property or assets of Borrower or any Material Subsidiary.

Section 4.07 *Tax Returns*. All foreign, federal, state and local tax returns and other reports required by law to be filed in respect of the income, business, properties and employees of each of Borrower and each Material Subsidiary have been filed and all taxes, assessments, fees and other governmental charges that are due and payable have been paid, except where the failure to do so does not and will not cause or result in a Material Adverse Effect or where such tax returns, taxes, assessments, fees or other governmental charges are being contested in good faith by such Borrower or such Material Subsidiary. The provision for taxes on the books of Borrower and each Material Subsidiary is adequate for all years not closed by applicable statutes and for the current fiscal year.

Section 4.08 *Environmental Laws*. Each Company is in compliance with any and all Environmental Laws, including, without limitation, all Environmental Laws in all jurisdictions in which any Company owns or operates, or has owned or operated, a facility or site, arranges or has arranged for disposal or treatment of hazardous substances, solid waste or other wastes, accepts or has accepted for transport any hazardous substances, solid waste or other wastes or holds or has held any interest in real property or otherwise, except where the failure to do so would not have a Material Adverse Effect. No litigation or proceeding arising under, relating to or in connection with any Environmental Law is pending or, to the best knowledge of each Company, threatened, against any Company, any real property in which any Company holds or has held an interest or any past or present operation of any Company which, if determined adversely, would have a Material Adverse Effect. No release, threatened release or disposal of hazardous waste, solid waste or other wastes is occurring, or has occurred (other than those that are currently being cleaned up in accordance with Environmental Laws), on, under or to any real property in which any Company holds any interest or performs any of its operations, in violation of any Environmental Law, except where such release or disposal would not have a Material Adverse Effect. As used in this Section, "litigation or proceeding" means any demand, claim, notice, suit, suit in equity, action, administrative action, investigation or inquiry whether brought by any governmental authority, private Person or otherwise.

Section 4.09 *Employee Benefits Plans*. No ERISA Event has occurred prior to the Closing Date that is unresolved and that has not been waived pursuant to the provisions of the Original Credit Agreement that individually or in the aggregate has or could reasonably be expected to have a Material Adverse Effect. No other ERISA Event has occurred or is expected to occur with respect to an ERISA Plan that has not been waived pursuant to the provisions of the Original Credit Agreement that individually or in the aggregate has or could reasonably be expected to have a Material Adverse Effect. All payments that a Controlled Group member is required, under applicable law or under the governing documents, to make as a contribution to or a benefit under each ERISA Plan have been made except for such payments the non-payment of which, individually or in the aggregate, have not had or could not reasonably be expected to have a Material Adverse Effect. All liabilities of

each Controlled Group member with respect to each ERISA Plan have been fully funded based upon reasonable and proper actuarial assumptions, have been fully insured, or have been fully reserved for on its financial statements, except to the extent to which any failure to so fund, insure or reserve has not or could not reasonably be expected to have a Material Adverse Effect. No changes have occurred or are expected to occur that would cause an increase in the cost of providing benefits under any ERISA Plan, except to the extent any such increases individually or in the aggregate do not have or could not reasonably be expected to have a Material Adverse Effect. With respect to each ERISA Plan that is intended to be qualified under Code Section 401(a): (a) the ERISA Plan and any associated trust operationally comply with the applicable requirements of Code Section 401(a), (b) the ERISA Plan and any associated trust have been amended to comply with all such requirements as currently in effect, other than those requirements for which a retroactive amendment can be made within the “remedial amendment period” available under Code Section 401(b) (as extended under Treasury Regulations and other Treasury pronouncements upon which taxpayers may rely), (c) the ERISA Plan and any associated trust have received a favorable determination letter from the Internal Revenue Service stating that the ERISA Plan qualifies under Code Section 401(a), that the associated trust qualifies under Code Section 501(a) and, if applicable, that any cash or deferred arrangement under the ERISA Plan qualifies under Code Section 401(k), unless the ERISA Plan was first adopted at a time for which the above-described “remedial amendment period” has not yet expired, (d) the ERISA Plan currently satisfies the requirements of Code Section 410(b), without regard to any retroactive amendment that may be made within the above-described “remedial amendment” period, and (e) no contribution made to the ERISA Plan is subject to an excise tax under Code Section 4972; provided, however, that an ERISA Plan and any associated trust shall not be treated as having failed to meet any of the requirements set forth in preceding items (a) through (e), if the failure is correctable under Part IV or V of Revenue Procedure 2006-27 or a subsequent Revenue Procedure or if the failure has not had or could not reasonably be expected to have a Material Adverse Effect. With respect to any Pension Plan, the “accumulated benefit obligation” of Controlled Group members with respect to such Pension Plan (as determined in accordance with Statement of Accounting Standards No. 87, “Employers’ Accounting for Pensions”) does not exceed the fair market value of Pension Plan assets by an amount that individually or in the aggregate has or could reasonably be expected to have a Material Adverse Effect.

Section 4.10 *Consents or Approvals*. No consent, approval or authorization of, or filing, registration or qualification with, any governmental authority or any other Person is required to be obtained or completed by Borrower or any Guarantor of Payment in connection with the execution, delivery or performance of any of the Loan Documents that has not already been obtained or completed.

Section 4.11 *Solvency*. Borrower has received consideration that is the reasonable equivalent value of the obligations and liabilities that Borrower has incurred to the Agent and the Lenders. Borrower is not insolvent as defined in any applicable state or federal statute, nor will Borrower be rendered insolvent by the execution and delivery of the Loan Documents to Agent and the Lenders. Borrower is not engaged or about to engage in any business or transaction for which the assets retained by it are or will be an unreasonably small amount of capital, taking into consideration the obligations to Agent and the Lenders incurred hereunder. Borrower does not intend to, nor does it believe that it will, incur debts beyond its ability to pay such debts as they mature.

Section 4.12 *Financial Statements*. The audited Consolidated financial statements of Borrower for the fiscal year ended March 31, 2007, and the unaudited interim Consolidated financial statements of Borrower for the fiscal quarter ended June 30, 2007, each as filed with the SEC in connection with Borrower’s Form 10-Q and Form 10-K and each as furnished to Agent and the Lenders have been prepared in accordance with GAAP, and fairly present the financial condition of the Companies as of the date of such financial statements and the results of their operations for the period then ending. Since the dates of such statements, there has been no change in any Company’s accounting procedures.

Section 4.13 [Reserved].

Section 4.14 *Regulations*. Borrower is not engaged principally or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any “margin stock” (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System of the United States of America). Neither

the granting of any Loan (or any conversion thereof) or the issuing of any Letter of Credit nor the use of the proceeds of any Loan or Letter of Credit will violate, or be inconsistent with, the provisions of the Regulations of such Board of Governors, including Regulation U and X.

Section 4.15 *Material Agreements*. Borrower is current in its reporting of material agreements in its quarterly and annual reports on Forms 10-Q and 10-K, as required by the rules of the SEC.

Section 4.16 *Intellectual Property*. Each Company owns, possesses, or has the right to use all of the patents, patent applications, trademarks, service marks, copyrights and licenses and rights with respect to the foregoing, necessary for the conduct of its business without any known conflict with the rights of others, except where the failure to do so would not have a Material Adverse Effect or, with respect to any known conflict, if such conflict were determined adversely to such Company, would not have a Material Adverse Effect.

Section 4.17 *Insurance*. Borrower and each Material Subsidiary maintains with financially sound and reputable insurers insurance with coverage and limits as required by law and on such terms and in such amounts as Borrower reasonably deems prudent.

Section 4.18 *Investment Company*. No Company is an “investment company” or a company “controlled” by an “investment company” within the meaning of the Investment Company Act of 1940, as amended, or any foreign, federal, state or local statute or regulation limiting its ability to incur Indebtedness.

Section 4.19 *Accurate and Complete Statements*. Neither the Loan Documents nor any written statement made by any Company in connection with any of the Loan Documents contains any untrue statement of a material fact or omits a material fact necessary to make the statements contained therein or in the Loan Documents not misleading. After due inquiry by Borrower, there is no known fact that any Company has not disclosed to Agent and the Lenders that has or would have a Material Adverse Effect.

Section 4.20 *Defaults*. No Default or Event of Default exists hereunder, nor will any begin to exist immediately after the execution and delivery hereof.

Section 4.21 *Anti-Terrorism Law Compliance*. Borrower is not subject to or in violation of any law, regulation, or list of any government agency (including, without limitation, the U.S. Office of Foreign Asset Control list, Executive Order No. 13224 or the USA Patriot Act) that prohibits or limits the conduct of business with or the receiving of funds, goods or services to or for the benefit of certain Persons specified therein or that prohibits or limits any Lender from making any advance or extension of credit to Borrower or from otherwise conducting business with Borrower.

ARTICLE V. COVENANTS

Borrower agrees that so long as the Commitment remains in effect and thereafter until all of the Debt shall have been paid in full, Borrower shall perform and observe, and shall cause each other Company to perform and observe, each of the following provisions:

Section 5.01 *Insurance*. Borrower and each Material Subsidiary shall (a) maintain insurance to such extent and against such hazards and liabilities and on such terms and in such amounts as Borrower or such Material Subsidiary, as the case may be, reasonably deems prudent; and (b) within ten days of any Lender’s written request, furnish to such Lender such information about Borrower or such Material Subsidiary’s insurance as that Lender may from time to time reasonably request, which information shall be prepared in form and detail satisfactory to such Lender and certified by a Financial Officer of Borrower or such Material Subsidiary, as the case may be.

Section 5.02 *Money Obligations*. Borrower and each Material Subsidiary shall pay in full (a) prior in each case to the date when penalties would attach, all taxes, assessments and governmental charges and levies (except only those so long as and to the extent that the same shall be contested in good faith by appropriate and timely proceedings and for which adequate reserves have been established in accordance with GAAP) for which it may be or become liable or to which any or all of its properties may be or become subject; (b) all of its material wage obligations to its employees in compliance with the Fair Labor Standards Act (29 U.S.C. §§ 206-207) or any comparable provisions; and (c) all of its other material obligations calling for the payment of money (except only

those so long as and to the extent that the same shall be contested in good faith and for which adequate reserves have been established in accordance with GAAP) before such payment becomes overdue.

Section 5.03 *Financial Statements and Other Information.*

(a) *Delivery of Financial Statements and Other Information.* Borrower shall furnish to Agent and each Lender:

(i) within 45 days after the end of each of the first three quarterly periods of each fiscal year of Borrower, balance sheets of Borrower as of the end of such period and statements of income (loss), stockholders' equity and cash flow for the quarter and fiscal year to date periods, all prepared on a Consolidated basis, in accordance with GAAP, and in form and detail satisfactory to Agent and the Lenders and certified by a Financial Officer, *provided* that with respect to any fiscal quarter for which financial statements are required to be delivered pursuant to this subpart, delivery of Borrower's Form 10-Q as filed with the SEC for any such fiscal quarter shall satisfy the requirements of this subpart;

(ii) within 90 days after the end of each fiscal year of Borrower, an annual audit report of Borrower for that year prepared on a Consolidated basis, in accordance with GAAP, and in form and detail satisfactory to Agent and certified by an independent registered public accounting firm satisfactory to Agent and the Required Lenders, which report shall include balance sheets and statements of income (loss), stockholders' equity and cash-flow for that period, together with a certificate by the accounting firm setting forth any Defaults and Events of Default coming to its attention during the course of its audit or, if none, a statement to that effect, *provided* that with respect to any fiscal year for which financial statements are required to be delivered pursuant to this subpart, delivery of Borrower's Form 10-K as filed with the SEC for any such fiscal year shall satisfy the requirements of this subpart;

(iii) concurrently with the delivery of the financial statements in (i) and (ii) above, a Compliance Certificate;

(iv) as soon as available, copies of (A) each financial statement, report, notice or proxy statement sent by Borrower or any Material Subsidiary to public securities holders generally and (B) each regular or periodic report, each registration statement that shall have become effective and each final prospectus and all amendments thereto filed by Borrower or any Material Subsidiary with the SEC; and

(v) within 10 days of the written request of Agent or any Lender, such other information about the financial condition, properties and operations of any Company as Agent or such Lender may from time to time reasonably request, including, without limitation, consolidating financial statements of the Companies, which information shall be submitted in form and detail satisfactory to Agent or such Lender and certified by a Financial Officer of the Company or Companies in question.

(b) *Method of Delivery.* For purposes of this Section 5.03, delivery by Borrower of the information required pursuant to Sections 5.03(a)(i), (ii), (iii) and (iv) above to Agent by e-mail or other electronic means acceptable to Agent shall satisfy the requirements of such Sections and Agent shall promptly distribute such information to the Lenders by e-mail or other electronic means acceptable to Agent and the Lenders.

Section 5.04 *Financial Records and Inspections.* (a) Each Company shall keep proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of Borrower or such Subsidiaries, as the case may be, in accordance with GAAP, in the case of Borrower, or which are reconcilable to a GAAP presentation, in the case of any Subsidiary.

(b) Borrower shall permit the representatives of Agent:

(i) if no Event of Default then exists, at the expense of Agent and upon reasonable prior notice to Borrower, to visit the principal executive offices of Borrower, to discuss the affairs, finances and accounts of Borrower and its Subsidiaries with Borrower's officers, and with consent of Borrower (which consent will not be unreasonably withheld) to visit the other offices and properties of Borrower and each of its Subsidiaries, all at such reasonable times and as often as may be reasonably requested in writing; or

(ii) if an Event of Default then exists, at the expense of Borrower, upon reasonable notice to Borrower, to visit and inspect any of the offices or properties of Borrower or any of its Subsidiaries, to examine all

their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent registered public accounting firms (and by this provision Borrower authorizes said accounting firms to discuss the affairs, finances and accounts of Borrower and its Subsidiaries), all at such times and as often as may be reasonably requested in writing.

Section 5.05 *Franchises*. Borrower and each Material Subsidiary shall preserve and maintain at all times its existence, rights and franchises, except as otherwise permitted pursuant to Section 5.12 and Section 5.20 hereof.

Section 5.06 *ERISA Compliance*. Neither Borrower nor any Material Subsidiary shall incur any accumulated funding deficiency within the meaning of ERISA, or any liability to the PBGC, in connection with any ERISA Plan in an amount that has or could be reasonably expected to have a Material Adverse Effect. Borrower shall furnish to the Lenders (a) as soon as possible after a Financial Officer knows or has reason to know that any Reportable Event with respect to any ERISA Plan has occurred that has or could be reasonably expected to have a Material Adverse Effect, a statement of a Financial Officer setting forth details as to such Reportable Event and the action that Borrower proposes to take or cause to be taken with respect thereto, together with a copy of the notice of such Reportable Event given to the PBGC if a copy of such notice is available to Borrower, and (b) promptly after receipt thereof a copy of any notice Borrower or any such Material Subsidiary, or any member of the Controlled Group may receive from the PBGC or the Internal Revenue Service with respect to any ERISA Plan administered by Borrower or such Material Subsidiary; *provided*, that this latter clause shall not apply to notices of general application promulgated by the PBGC or the Internal Revenue Service, to notices concerning ministerial errors or other minor compliance errors, or to any other notices concerning matters which do not have or could not reasonably be expected to have a Material Adverse Effect. Borrower shall promptly notify the Lenders of any taxes assessed, proposed to be assessed or that Borrower has reason to believe may be assessed against Borrower or a Material Subsidiary by the Internal Revenue Service with respect to any ERISA Plan in an amount that would have a Material Adverse Effect. As soon as practicable after a Financial Officer becomes aware that an ERISA Event that has had or could reasonably be expected to have a Material Adverse Effect has occurred, Borrower or such Material Subsidiary shall provide Agent with notice of such ERISA Event, setting forth the details of the event and the action Borrower or such Material Subsidiary or another Controlled Group member proposes to take with respect thereto. Borrower shall, at the request of Agent, deliver or cause to be delivered to Agent, true and correct copies of any documents required for the establishment or maintenance of any ERISA Plan of any Company.

Section 5.07 *Financial Covenants*.

(a) *Leverage Ratio*. Borrower shall not suffer or permit at any time the Leverage Ratio to be greater than 3.00 to 1.00.

(b) *Interest Coverage Ratio*. Borrower shall not suffer or permit at any time the Interest Coverage Ratio to be less than 3.00 to 1.00.

Section 5.08 *Borrowing*. No Company shall create, incur or have outstanding any Indebtedness of any kind; *provided*, that this Section shall not apply to any of the following (without duplication):

(a) the Loans or any other Indebtedness incurred to Agent or the Lenders pursuant to this Agreement;

(b) Indebtedness in connection with any Approved Derivatives Contract;

(c) Indebtedness (including any capital lease obligation, but excluding Permitted Foreign Subsidiary Loans and Investments) secured by the Liens described in and permitted pursuant to Sections 5.09(f) and (k) hereof;

(d) loans to a Domestic Company from a Domestic Company;

(e) Permitted Foreign Subsidiary Loans and Investments;

(f) Indebtedness constituting Permitted Third Party Investments;

(g) Permitted Insurance Subsidiary Loans and Investments;

(h) Indebtedness of the Companies evidenced by the Senior Notes and the Senior Note Guaranty executed and delivered to the Senior Note Holders pursuant to the Senior Note Purchase Agreement, *provided* that no Company (other than Borrower and the Guarantors of Payment) shall be liable, whether directly or indirectly, for any part of such Indebtedness;

(i) unsecured Indebtedness of any Domestic Company, *provided* that (i) in the case of any Material Indebtedness (other than this Agreement), the covenants and agreements relating to such Material Indebtedness are, in the reasonable opinion of Agent, not more restrictive than the covenants and agreements set forth in this Agreement, (ii) Borrower shall be in pro forma compliance with Section 5.05 and Section 5.07 hereof and no Default or Event of Default shall have occurred and be continuing or would occur, in each case both before and after giving effect to the incurrence of such Indebtedness, and (iii) if any such Indebtedness is to be Subordinated Indebtedness, such Subordinated Indebtedness shall be subject to a subordination agreement or other subordination provisions satisfactory to Agent and the Required Lenders;

(j) Indebtedness incurred in connection with the issuance of (i) \$3,000,000 Spartanburg County, South Carolina, Industrial Revenue Bonds, Series 1989 (Isomedix Operations, Inc. Project), or (ii) \$8,000,000 City of El Paso Industrial Development Authority, Incorporated, Variable Rate Demand Industrial Development Revenue Bonds, Series 1988 (Isomedix Operations, Inc. Project), so long as the aggregate principal amount of Indebtedness incurred pursuant to clause (i) or (ii) is not increased in excess of the amount outstanding on the Closing Date; or

(k) Indebtedness of the Receivables Subsidiary (i) under the Permitted Receivables Facility, so long as the funded amount, together with any other Indebtedness thereunder, does not exceed \$100,000,000 at any time and (ii) to any Domestic Subsidiary in connection with the Permitted Receivables Facility.

Section 5.09 *Liens*. No Company shall create, assume or suffer to exist any Lien upon any of its property or assets, whether now owned or hereafter acquired; *provided* that this Section shall not apply to the following:

(a) Liens for taxes not yet due or that are being actively contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with GAAP;

(b) other statutory or common law Liens incidental to the conduct of its business or the ownership of its property and assets that (i) were not incurred in connection with the borrowing of money or the obtaining of advances or credit, and (ii) do not in the aggregate materially detract from the value of its property or assets or materially impair the use thereof in the operation of its business;

(c) pledges or deposits in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation, other than any Lien imposed by ERISA;

(d) deposits to secure the performance of bids, trade contracts and leases (other than Indebtedness), statutory obligations, surety bonds (other than bonds related to judgments or litigation), performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(e) Liens on property or assets of a Subsidiary to secure obligations of such Subsidiary to Borrower or a Guarantor of Payment;

(f) (i) purchase money Liens on fixed assets securing the Indebtedness pursuant to Section 5.08(c) hereof or for the deferred purchase price of property, *provided* that such Lien is limited to the purchase price and only attaches to the property being acquired, (ii) capital leases, and (iii) Permitted Foreign Subsidiary Liens, so long as the aggregate principal amount of all Indebtedness secured by Liens described in the foregoing subparts (i), (ii) and (iii) does not exceed at any time an amount equal to 15% of the Consolidated Net Worth of Borrower for the most recently completed fiscal quarter;

(g) easements, zoning restrictions or other minor defects or irregularities in title of real property not interfering in any material respect with the use of such property in the business of any Company;

(h) Liens set forth on Schedule 5.09 hereto;

(i) any Lien granted to Agent, for the benefit of the Lenders;

(j) Liens on Receivables Related Assets arising in connection with the sale of such Receivables Related Assets pursuant to Section 5.12(g) hereof;

(k) Liens in respect of the cash collateralization provided pursuant to Section 2.12(a);

(l) in addition to the Liens permitted above, additional Liens on any assets of Borrower or any of its Subsidiaries securing Indebtedness owing by Borrower or any such Subsidiary, so long as the aggregate principal amount of all Indebtedness secured by such Liens does not exceed at any time an amount equal to 10% of the Consolidated Net Worth of Borrower for the most recently completed fiscal quarter; and

(m) in addition to the Liens permitted above, additional Liens on any assets of any Company securing obligations of such Company, so long as (i) such Liens do not secure any Indebtedness, and (ii) the aggregate amount of all obligations secured by all such Liens for all Companies does not exceed \$20,000,000.

No Company shall enter into any Material Indebtedness Agreement (other than this Agreement) that would prohibit Agent or the Lenders from acquiring a security interest, mortgage or other Lien on, or a collateral assignment of, any of the property or assets of a Company.

Section 5.10 *Regulations U and X*. No Company shall take any action that would result in any non-compliance of the Loans with Regulations U and X, or any other applicable regulation, of the Board of Governors of the Federal Reserve System.

Section 5.11 *Investments and Guaranties*. No Company shall (a) create, acquire or hold any Subsidiary, (b) make or hold any Investment, or (c) be or become a Guarantor of any kind; *provided*, that this Section shall not apply to:

(i) any endorsement of a check or other medium of payment for deposit or collection through normal banking channels or similar transaction in the normal course of business;

(ii) the holding of Subsidiaries listed on *Schedule 4.01* hereto and the creation, acquisition and holding of any new Subsidiary after the Closing Date, so long as such new Subsidiary is created, acquired or held in accordance with the terms and conditions of this Agreement, including, without limitation, Section 5.12, Section 5.13, and Section 5.19 hereof;

(iii) loans to a Domestic Company from a Domestic Company, or investments in a Domestic Company by a Domestic Company;

(iv) Permitted Foreign Subsidiary Loans and Investments;

(v) guarantees of Indebtedness of the Companies incurred or permitted pursuant to this Agreement (including any guaranty of the Indebtedness permitted pursuant to Section 5.08 hereof);

(vi) any advance or loan to an employee of a Company made in the ordinary course of such Company's business, so long as all such advances and loans from all Companies aggregate not more than the maximum principal sum of \$7,500,000 at any time outstanding;

(vii) any Permitted Third Party Investment;

(viii) Permitted Insurance Subsidiary Loans and Investments;

(ix) the acquisition or holding of any debt or equity securities by any Company in connection with the insolvency of a customer or supplier;

(x) Indebtedness of the Receivables Subsidiary to a Domestic Company in connection with the Permitted Receivables Facility;

(xi) guaranties in the ordinary course of business by Borrower and/or any of its Subsidiaries of the obligations (other than Indebtedness) of Borrower and/or any of its Subsidiaries.

Section 5.12 *Mergers and Asset Sales*. No Company shall merge or consolidate with any other Person or (except as specifically permitted by this Agreement) sell, lease, transfer, or otherwise dispose of any of its property or assets outside the ordinary course of business, except that if no Default or Event of Default shall then exist or immediately thereafter shall begin to exist:

(a) any Domestic Subsidiary (other than the Receivables Subsidiary) may merge or consolidate with (i) Borrower, *provided* that Borrower shall be the continuing or surviving Person, or (ii) any other Domestic Subsidiary (other than the Receivables Subsidiary), *provided* that if such merger or consolidation involves the Insurance Subsidiary, the Insurance Subsidiary shall not be the continuing or surviving Person;

(b) any Domestic Subsidiary (other than the Receivables Subsidiary) may sell, lease, transfer or otherwise dispose of any of its assets to (i) Borrower or (ii) any other Domestic Subsidiary (other than the Receivables Subsidiary), *provided* that no Domestic Subsidiary may sell, lease, transfer or otherwise dispose of any of its assets to the Insurance Subsidiary other than in connection with Permitted Insurance Subsidiary Loans and Investments made in accordance with Section 5.11 hereof;

(c) in addition to any merger or consolidation permitted pursuant to subsection (a) above, any Foreign Subsidiary may merge or consolidate with (i) any Domestic Company, *provided* that the Domestic Company shall be the continuing or surviving Person, or (ii) any other Foreign Subsidiary;

(d) in addition to any sale, lease, transfer or other disposition permitted pursuant to subsection (b) above, any Foreign Subsidiary may sell, lease, transfer or otherwise dispose of any of its assets to (i) any Domestic Company or (ii) any other Foreign Subsidiary;

(e) in addition to any sale, lease, transfer or other disposition permitted pursuant to subsection (b) above, any Company may sell the Receivables Related Assets to the Receivables Subsidiary in connection with the Permitted Receivables Facility;

(f) in addition to any sale, lease, transfer or other disposition permitted pursuant to subsections (b), (d) and (e) above, any Company (other than the Receivables Subsidiary) may sell (including any sale in connection with any sale-leaseback transaction), lease, transfer or otherwise dispose of any of its assets (in each case, an "Asset Disposition") to any Person, so long as the aggregate book value of all such assets (as determined in accordance with GAAP) sold, leased, transferred or otherwise disposed of by all Companies in any fiscal year of Borrower does not exceed an amount equal to 15% of Consolidated Total Assets (for each such fiscal year, the "Basket Amount") based upon the financial statements of Borrower for the most recently completed fiscal quarter; *provided, however,* that, to the extent that any Company reinvests (whether in one or more than one transaction) the amount of the proceeds (the "Asset Disposition Proceeds") of any such Asset Disposition in the business of the Companies (including, but not limited to, Acquisitions made in compliance with Section 5.13 hereof) within 12 months of the consummation of such Asset Disposition, then, upon the reinvestment of such Asset Disposition Proceeds in accordance with this subsection (f), the Basket Amount for the fiscal year in which each such reinvestment occurs shall be increased by an amount equal to the amount of such Asset Disposition Proceeds so reinvested;

(g) the Receivables Subsidiary may sell the Receivables Related Assets to any Person (other than a Company); and

(h) any Subsidiary may be dissolved at any time.

Section 5.13 *Acquisitions*. No Company shall effect an Acquisition unless:

(a) no Default or Event of Default then exists or will exist immediately thereafter;

(b) the Acquisition is made by a Domestic Company or a Foreign Subsidiary; and

(c) the Companies shall be in pro forma compliance (excluding the value of any assumed operating synergies) with each of the financial covenants set forth in Section 5.07 hereof both before and after giving effect to such Acquisition; and

(d)(i) with respect to any Acquisition where the aggregate Consideration involved is less than or equal to \$100,000,000, Borrower provides to Agent and the Lenders, at least 5 Business Days (or such shorter period of time as may be agreed to by Agent, but not less than 3 Business Days) prior to the date such Acquisition is to be consummated, a written description of such Acquisition and the Consideration involved therewith; and (ii) with respect to any Acquisition where the aggregate Consideration involved is greater than \$100,000,000, as early as possible and, in any event, not fewer than 5 Business Days (or such shorter period of time as may be agreed to by Agent, but not less than 3 Business Days) prior to the date of consummation of such Acquisition, (A) a written description of such Acquisition and the Consideration involved therewith, and (B) historical financial statements of such Person and a pro forma financial statement of the Companies accompanied by a certificate of a Financial Officer showing pro forma compliance (excluding the value of any assumed operating synergies) with each of the financial covenants set forth in Section 5.07 hereof, both before and after giving effect to such Acquisition.

Section 5.14 *Notice*. Borrower shall cause a Financial Officer to promptly notify Agent and the Lenders whenever:

(a) any Default or Event of Default may occur hereunder; or

(b) any representation or warranty made in Article IV hereof or elsewhere in this Agreement or in any Related Writing may for any reason cease in any material respect to be true and complete as of the date made, except those made as of and which were intended to be limited to a specified earlier date.

Section 5.15 *Environmental Compliance*. Each Company shall comply in all respects with any and all Environmental Laws including, without limitation, all Environmental Laws in jurisdictions in which any Company owns or operates a facility or site, arranges for disposal or treatment of hazardous substances, solid waste or other wastes, accepts for transport any hazardous substances, solid waste or other wastes or holds any interest in real property or otherwise, except where a failure to so comply would not have a Material Adverse Effect. Borrower shall furnish to the Lenders, promptly after receipt thereof, a copy of any notice any Company may receive from any governmental authority, private Person or otherwise that any material litigation or proceeding pertaining to any environmental, health or safety matter has been filed or is threatened against such Company, any real property in which such Company holds any interest or any past or present operation of such Company. No Company shall allow the release or disposal of hazardous waste, solid waste or other wastes on, under or to any real property in which any Company holds any interest or performs any of its operations, in violation of any Environmental Law which violation would have a Material Adverse Effect. As used in this Section, "*litigation or proceeding*" means any demand, claim, notice, suit, suit in equity action, administrative action, investigation or inquiry whether brought by any governmental authority, private Person or otherwise. Borrower shall defend, indemnify and hold Agent and the Lenders harmless against all costs, expenses, claims, damages, penalties and liabilities of every kind or nature whatsoever (including attorneys' fees) arising out of or resulting from the noncompliance of any Company with any Environmental Law. Such indemnification shall survive any termination of this Agreement.

Section 5.16 *Affiliate Transactions*. No Company shall, or shall permit any Subsidiary to, directly or indirectly, enter into or permit to exist any transaction (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of a Company on terms that are less favorable to such Company or such Subsidiary, as the case may be, than those that might be obtained at the time in a transaction with a non-Affiliate; *provided, however*, that the foregoing shall not prohibit (a) the payment of customary and reasonable directors' fees to directors who are not employees of a Company or any Affiliate of a Company; or (b) any transaction between a Company and another Company that Borrower reasonably determines in good faith is beneficial to Borrower and its Affiliates as a whole and that is not entered into for the purpose of hindering the exercise by Agent or the Lenders of their rights or remedies under this Agreement.

Section 5.17 *Use of Proceeds*. Borrower's use of the proceeds of the Loans shall be solely for working capital purposes of Borrower and its Subsidiaries, for Acquisitions permitted pursuant to this Agreement, and as

support for a commercial paper program instituted by Borrower as well as for other general corporate purposes of Borrower and its Subsidiaries, including, but not limited to, any repurchase, redemption or other acquisition by Borrower from any Person of any capital stock or other equity interest of Borrower.

Section 5.18 *Corporate Names*. Neither Borrower nor any Material Subsidiary shall change its corporate name, unless, in each case, Borrower shall provide Agent with prompt written notice thereof.

Section 5.19 *Subsidiary Guaranties*.

(a) Except as set forth in subpart (b) below, each Domestic Subsidiary (other than the Insurance Subsidiary or the Receivables Subsidiary) created, acquired or held on or subsequent to the Closing Date, shall immediately become a party to the Guaranty of Payment and the Contribution Agreement and shall deliver such corporate governance and authorization documents and an opinion of counsel as may be deemed necessary or advisable by Agent.

(b) A Domestic Subsidiary (other than the Insurance Subsidiary or the Receivables Subsidiary) shall not be required to execute a Guaranty of Payment if (i) it is not a Material Subsidiary, and (ii) the aggregate amount of the total assets (based on the book value of such assets as determined in accordance with GAAP) of all Domestic Subsidiaries (other than the Insurance Subsidiary or Receivables Subsidiary) that are not Guarantors of Payment is less than \$10,000,000. If any Domestic Subsidiary (other than the Insurance Subsidiary or the Receivables Subsidiary) that was not a Material Subsidiary becomes a Material Subsidiary, then Borrower shall promptly cause such Domestic Subsidiary to become a party to the Guaranty of Payment and the Contribution Agreement and Borrower shall deliver such corporate governance and authorization documents and an opinion of counsel as may be deemed necessary or advisable by Agent. If the aggregate amount of the total assets (based on the book value of such assets as determined in accordance with GAAP) of all Domestic Subsidiaries (other than the Insurance Subsidiary or Receivables Subsidiary) that are not Guarantors of Payment is equal to or greater than \$10,000,000, then Borrower shall promptly after equaling or exceeding such \$10,000,000 threshold, cause some or all, as appropriate, of such Domestic Subsidiaries to become a party to the Guaranty of Payment and the Contribution Agreement and Borrower shall deliver such corporate governance and authorization documents and an opinion of counsel as may be deemed necessary or advisable by Agent such that the aggregate amount of the total assets (based on the book value of such assets as determined in accordance with GAAP) of all Domestic Subsidiaries (other than the Insurance Subsidiary or Receivables Subsidiary) that are not Guarantors of Payment is less than \$10,000,000.

(c) If a Guarantor of Payment is no longer required to be a Guarantor of Payment hereunder, then so long as no Default or Event of Default exists or immediately thereafter shall begin to exist and upon written request of Borrower, Agent shall promptly provide Borrower with a termination or release of such Guarantor of Payment's obligations under the Guaranty of Payment.

(d) If a Guarantor of Payment is sold or dissolved in accordance with the terms of this Agreement, then upon written request of Borrower, Agent shall provide Borrower with a termination or release of such Guarantor of Payment's obligations under the Guaranty of Payment contemporaneously with such sale or dissolution.

Section 5.20 *Maintenance of Property*. Borrower covenants and agrees that it will, and will cause each of its Material Subsidiaries to, maintain their corporate existence and maintain and keep their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times; *provided* that this Section shall not prevent Borrower or any Material Subsidiary (a) from discontinuing the operation and the maintenance of any of its properties if such discontinuance is not prohibited under this Agreement and Borrower has concluded that such discontinuance would not, individually or in the aggregate, have a Material Adverse Effect, or (b) from taking any action permitted under Section 5.12.

Section 5.21 *Other Covenants*. In the event that Borrower shall enter into, or shall have entered into, or shall amend the terms of, any Material Indebtedness Agreement, such that the covenants (excluding any such covenants relating to the maintenance or preservation of real or personal property) contained therein are more restrictive than the covenants set forth herein, then Borrower shall be bound hereunder by such covenants with the same force and effect as if such covenants and agreements were written herein.

Section 5.22 *Amendment of Organizational Documents, Etc.* Neither Borrower nor any Guarantor of Payment shall amend its Organizational Documents in any manner that would affect the validity or enforceability of any Loan Document without the prior written consent of Agent and the Required Lenders.

Section 5.23 *Guaranties of Payment; Guaranty Under Material Indebtedness Agreement.* Neither Borrower nor any Domestic Subsidiary shall be or become a Guarantor of any Indebtedness incurred pursuant to any Material Indebtedness Agreement (other than this Agreement) unless such Company is also a Guarantor of Payment under this Agreement prior to or concurrently therewith.

Section 5.24 *Pari Passu Ranking.* The Debt shall, and Borrower shall take all necessary action to ensure that the Debt shall, at all times rank at least pari passu in right of payment (to the fullest extent permitted by law) with all other senior unsecured Indebtedness of Borrower and each Guarantor of Payment.

Section 5.25 *Receivables Facility Documents.* With respect to the Permitted Receivables Facility, prior to the Receivables Subsidiary or any other Company executing any definitive documentation in connection therewith, Borrower shall provide to Agent and the Lenders final execution copies of all agreements, instruments and other documents to be executed in connection with the Permitted Receivables Facility (collectively, the “*Receivables Facility Documents*”). Contemporaneously with the closing of the Permitted Receivables Facility, Borrower shall deliver to Agent fully executed copies of the Receivables Facility Documents certified by an officer of Borrower as being true and complete.

Section 5.26 *Anti-Terrorism Laws.* Borrower shall not be subject to or in violation of any law, regulation, or list of any government agency (including, without limitation, the U.S. Office of Foreign Asset Control list, Executive Order No. 13224 or the USA Patriot Act) that prohibits or limits the conduct of business with or the receiving of funds, goods or services to or for the benefit of certain Persons specified therein or that prohibits or limits any Lender from making any advance or extension of credit to Borrower or from otherwise conducting business with Borrower. Borrower covenants and agrees that it will, and will cause each of its Subsidiaries to promptly, following a request by Agent, any Lender or any LC Issuer, provide all documentation and other information that Agent, such Lender or such LC Issuer reasonably requests in order to comply with its ongoing obligations under applicable “know your customer” and anti-money laundering rules and regulations, including the USA Patriot Act.

ARTICLE VI. CONDITIONS PRECEDENT; EFFECTIVENESS

Section 6.01 *All Credit Events.* The obligation of any Lender and any LC Issuer to participate in any Credit Event is conditioned, in the case of each such Credit Event, upon the following:

(a) all conditions precedent listed in Section 6.02 hereof shall have been satisfied;

(b) (i) with respect to any borrowing, conversion or continuation of a Revolving Loan, Borrower shall have submitted a Notice of Loan and otherwise complied with the requirements of Section 2.03 (other than 2.03(a)(ii)) hereof, and (ii) with respect to any request for the issuance, amendment or renewal of a Letter of Credit, Borrower shall have complied with the requirements of Section 2.03(a)(ii) hereof;

(c) no Default or Event of Default shall then exist or immediately after such Credit Event would exist; and

(d) each of the representations and warranties contained in Article IV hereof shall be true and correct with the same force and effect as if made on and as of the date of such Credit Event, except to the extent that any thereof expressly relate to an earlier date.

Each request by Borrower with respect to any Credit Event shall be deemed to be a representation and warranty by Borrower as of the date of such request as to the facts specified in subparts (c) and (d) above.

Section 6.02 *Effectiveness of Agreement*. The amendment and restatement of the Original Credit Agreement and the obligation of the Lenders and LC Issuers to participate in the first Credit Event hereunder is subject to the satisfaction of the following conditions:

(a) *Notes*. Borrower shall have executed and delivered to each Lender its Revolving Credit Note and shall have executed and delivered to Agent the Swing Line Note.

(b) *Guaranty of Payment and Contribution Agreement*. The Guarantors of Payment shall have executed and delivered to Agent (i) the Guaranty of Payment and (ii) the Contribution Agreement.

(c) *Officer's Certificate, Resolutions, Organizational Documents*. Borrower and each Guarantor of Payment shall have delivered to Agent an officer's certificate certifying the names of the officers of Borrower or such Guarantor of Payment authorized to sign the Loan Documents to which each is a party, together with the true signatures of such officers and certified copies of (i) the resolutions of the board of directors of Borrower and each Guarantor of Payment evidencing approval of the execution and delivery of the Loan Documents and the execution of other Related Writings to which Borrower or such Guarantor of Payment, as the case may be, is a party, and (ii) the Organizational Documents of Borrower and each Guarantor of Payment.

(d) *Legal Opinion*. Borrower shall have delivered to Agent an opinion of counsel from the General Counsel of the Borrower for Borrower and each Guarantor of Payment, in form and substance satisfactory to Agent and the Lenders.

(e) *Good Standing and Full Force and Effect Certificates*. Borrower shall have delivered to Agent a good standing certificate or full force and effect certificate, as the case may be, for Borrower and each Guarantor of Payment, issued on or about the Closing Date by the Secretary of State in the state where Borrower or such Guarantor of Payment is incorporated and in each state in which Borrower or such Guarantor of Payment is qualified as a foreign entity and in which the failure to so qualify would have a Material Adverse Effect.

(f) *Closing Certificate*. Borrower shall have delivered to Agent an officer's certificate certifying that, as of the Closing Date, (i) all conditions precedent set forth in this Section 6.02 have been satisfied, (ii) no Default or Event of Default exists nor immediately after the making of the first Loan will exist, and (iii) each of the representations and warranties contained in Article IV hereof are true and correct as of the Closing Date.

(g) *Closing and Legal Fees; Agent Fee Letter*. Borrower shall have (i) executed and delivered to Agent, the Agent Fee Letter and paid to Agent, for its sole benefit, the fees set forth therein due and payable at or before the Closing Date that are then unpaid, (ii) paid to the Agent, for the benefit of the Lenders, the fees agreed to by Borrower and the Lenders that are due and payable at or before the Closing Date, (iii) paid all legal fees and expenses of Agent in connection with the preparation and negotiation of the Loan Documents to the extent then invoiced and (iv) paid all fees accrued under the Original Credit Agreement through the day immediately preceding the Closing Date and all other amounts due and payable on or prior to the Closing Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses (including fees, charges and disbursements of counsel) required to be reimbursed or paid by any Company hereunder (including under the Original Credit Agreement) or under any other Loan Document.

(h) *Lien Searches*. With respect to the property owned or leased by Borrower and each Guarantor of Payment, Borrower shall have delivered to Agent (i) the results of U.C.C. lien searches, satisfactory to Agent and the Lenders; (ii) the results of federal and state tax lien and judicial lien searches, satisfactory to Agent and the Lenders; and (iii) U.C.C. termination statements reflecting termination of all financing statements previously filed by any other party having a security interest not permitted pursuant to this Agreement.

(i) *No Material Adverse Change*. No material adverse change has occurred in the financial condition, operations or prospects of the Companies since March 31, 2007.

(j) *Repayment of Outstanding Loans and Letters of Credit*. On the Closing Date, (i) the Borrower shall have repaid all loans outstanding under the Original Credit Agreement and all accrued and unpaid interest and any

amounts payable pursuant to Section 2.08(b) of the Original Credit Agreement in respect thereof and (ii) no Letters of Credit (other than the Existing Letters of Credit) shall be outstanding under the Original Credit Agreement.

(k) *Miscellaneous*. Borrower shall have provided to Agent and the Lenders such other items and shall have satisfied such other conditions as may be reasonably required by Agent or the Lenders.

It is understood and agreed that no term of the amendment and restatement contemplated hereby shall be effective until the Closing Date occurs, and that the Original Credit Agreement shall continue in full force and effect without regard to the amendment and restatement contemplated hereby until the Closing Date.

Section 6.03 *Closing Date Adjustment of Commitments*. Effective on the Closing Date, the Revolving Credit Commitment (as defined in the Original Credit Agreement) of each Original Lender under the Original Credit Agreement that is not also a Lender under this Agreement shall be deemed to have been permanently terminated in full upon receipt by such Original Lender of the payment of any outstanding amounts due to such Lender thereunder, whereupon Agent shall make such adjustments to the Revolving Credit Commitments of the Lenders such that the amount of their Revolving Credit Commitments are in accordance with their respective Commitment Percentages. Agent shall request that each Original Lender under the Original Credit Agreement that is not also a Lender under this Agreement promptly return its promissory note executed in connection with the Original Credit Agreement to Borrower. Each Lender that was an Original Lender under the Original Credit Agreement shall promptly return its promissory note executed in connection with the Original Credit Agreement to Borrower.

Section 6.04 *Reference to and Effect on the Original Credit Agreement*. On and after the Closing Date, (i) each reference to the "Credit Agreement" in any of the Loan Documents and all other agreements, documents and instruments delivered by Borrower, any of the Lenders, the LC Issuer Agent and any other Person shall mean and be a reference to this Agreement, (ii) all obligations of the Company and the Guarantors under the Original Credit Agreement shall become obligations of the Company and the Guarantors hereunder, and (iii) the provisions of the Original Credit Agreement shall be superseded by the provisions hereof. Each of the parties hereto confirms that the amendment and restatement of the Original Credit Agreement upon the terms and subject to the conditions hereof shall not constitute a novation of the Original Credit Agreement.

ARTICLE VII. EVENTS OF DEFAULT

Each of the following shall constitute an Event of Default hereunder:

Section 7.01 *Payments*. If (a) the interest on any Note or any facility or other fee payable under this Agreement shall not be paid in full when due and payable or within five days thereafter or (b) the principal of any Note or any Unreimbursed Letter of Credit Obligation shall not be paid in full when due and payable.

Section 7.02 *Special Covenants*. If any Company or any Obligor shall fail or omit to perform and observe Sections 5.07, 5.08, 5.09, 5.11, 5.12, 5.13, 5.14, 5.15, 5.19, 5.23 or 5.24 hereof.

Section 7.03 *Other Covenants*. If any Company or any Obligor shall fail or omit to perform and observe any agreement or other provision (other than those referred to in Sections 7.01 or 7.02 hereof) contained or referred to in this Agreement or any Related Writing that is on such Company's or Obligor's part, as the case may be, to be complied with, and that Default shall not have been fully corrected within 30 days after the receipt by Borrower of written notice of such default from the Agent or the Required Lenders (any such notice to be identified as a "notice of default" and to refer specifically to this paragraph).

Section 7.04 *Representations and Warranties*. If any representation, warranty or statement made by any Company or any Obligor in this Agreement or in any Related Writing shall be false or erroneous in any material respect when made or deemed made.

Section 7.05 *Cross Default*. If any Company shall default (a) in the payment of principal, interest or fees due and owing with respect to any Material Indebtedness Agreement beyond any period of grace provided with respect thereto, or (b) in the performance or observance of any other agreement, term or condition contained in any Material Indebtedness Agreement, if the effect of such default is to allow the acceleration of the maturity of such Indebtedness or to permit the holder thereof to cause such Indebtedness to become due prior to its stated maturity.

Section 7.06 *ERISA Default*. The occurrence of one or more ERISA Events that the Required Lenders reasonably determine could have a Material Adverse Effect.

Section 7.07 *Change in Control*. If any Change in Control shall occur.

Section 7.08 *Money Judgment*. A final judgment or order for the payment of money shall be rendered against any Company or any Obligor by a court of competent jurisdiction, that remains unpaid or unstayed and undischarged for a period (during which execution shall not be effectively stayed) of 30 days after the date on which the right to appeal has expired, *provided* that the aggregate of all such judgments for all such Companies and Obligors shall exceed \$15,000,000 (or the Dollar Equivalent thereof), excluding for purposes of such determination such amount of any insurance proceeds paid or to be paid by or on behalf of any Company in respect of such judgment or judgments or unconditionally acknowledged in writing to be payable by the insurance carrier that issued the related insurance policy.

Section 7.09 *Validity of Loan Documents*. i) Any material provision, in the reasonable opinion of Agent, of any Loan Document shall at any time for any reason cease to be valid and binding and enforceable against Borrower or any Guarantor of Payment; ii) the validity, binding effect or enforceability of any Loan Document against Borrower or any Guarantor of Payment shall be contested by any Company; iii) Borrower or any Guarantor of Payment shall deny that it has any or further liability or obligation thereunder; or iv) any Loan Document shall be terminated, invalidated or set aside, or be declared ineffective or inoperative or in any way cease to give or provide to Agent and the Lenders the benefits purported to be created thereby.

Section 7.10 *Solvency*. If Borrower or any Material Subsidiary shall (a) except as permitted pursuant to Section 5.12 hereof, discontinue business, (b) generally not pay its debts as such debts become due, (c) make a general assignment for the benefit of creditors, (d) apply for or consent to the appointment of a receiver, a custodian, a trustee, an interim trustee, liquidator or similar official of all or a substantial part of its assets, (e) be adjudicated a debtor or insolvent or have entered against it an order for relief under Title 11 of the United States Code or under any other Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, as any of the foregoing may be amended from time to time, (f) file a voluntary petition in bankruptcy, or have an involuntary proceeding filed against it and the same shall continue undismissed for a period of 60 days from commencement of such proceeding or case, or file a petition or an answer seeking reorganization or an arrangement with creditors or seeking to take advantage of any other law (whether federal, state or foreign) relating to relief of debtors, or admit (by answer, by default or otherwise) the material allegations of a petition filed against it in any bankruptcy, reorganization, insolvency or other proceeding (whether federal, state or foreign) relating to relief of debtors, (g) suffer or permit to continue unstayed and in effect for 60 consecutive days any judgment, decree or order entered by a court of competent jurisdiction, that approves a petition seeking its reorganization or appoints a receiver, custodian, trustee, interim trustee or liquidator or similar official of all or a substantial part of its assets, or (h) take, or omit to take, any action in order thereby to effect any of the foregoing.

**ARTICLE VIII.
REMEDIES UPON DEFAULT**

Section 8.01 *Optional Defaults*. If any Event of Default referred to in Section 7.01, Section 7.02, Section 7.03, Section 7.04, Section 7.05, Section 7.06, Section 7.07, Section 7.08, or Section 7.09 hereof shall occur, Agent may, with the consent of the Required Lenders, and shall, at the request of the Required Lenders, give written notice to Borrower, to:

(a) terminate the Commitment and the credits hereby established, if not previously terminated, and, immediately upon such election, the obligations of the Lenders, and each thereof, to make any Loan, the obligation of Agent to make any Swing Loan, and the obligation of the LC Issuer to issue any Letter of Credit hereunder immediately shall be terminated, and/or

(b) accelerate the maturity of all of the Debt (if the Debt is not already due and payable), whereupon all of the Debt shall become and thereafter be immediately due and payable in full without any presentment or demand and without any further or other notice of any kind, all of which are hereby waived by Borrower.

Section 8.02 *Automatic Defaults*. If any Event of Default referred to in Section 7.10 hereof shall occur:

(a) all of the Commitment and the credits hereby established shall automatically and immediately terminate, if not previously terminated, no Lender thereafter shall be obligated to grant any Loan, Agent shall not be obligated to make any Swing Loan, and the LC Issuer shall not be obligated to issue any Letter of Credit hereunder, and

(b) the outstanding principal, interest and any other amounts on all of the Notes, and all of the other Debt, shall thereupon become and thereafter be immediately due and payable in full (if the Debt is not already due and payable), all without any presentment, demand or notice of any kind, which are hereby waived by Borrower.

Section 8.03 *Letters of Credit*. If the maturity of the Notes is accelerated pursuant to Sections 8.01 or 8.02 hereof, Borrower shall immediately deposit with Agent, as security for Borrower's and any other Company's obligations to reimburse the LC Issuer and the Lenders for any then outstanding Letters of Credit, cash equal to the sum of the aggregate undrawn balance of any then outstanding Letters of Credit. The LC Issuer and the Lenders are hereby authorized, at their option, to deduct any and all such amounts from any deposit balances then owing by any Lender to or for the credit or account of any Company, as security for Borrower's and any other Company's obligations to reimburse the LC Issuer and the Lenders for any then outstanding Letters of Credit.

Section 8.04 *Offsets*. In addition to the rights and remedies of Agent and the Lenders provided elsewhere in this Agreement or in any other Loan Document, or otherwise provided in law or equity, if there shall occur or exist any Event of Default referred to in Section 7.10 hereof or if the maturity of the Notes is accelerated pursuant to Section 8.01 or Section 8.02 hereof, Agent and each Lender (and such Lender's affiliates) shall have the right at any time to set off against, and to appropriate and apply toward the payment of, any and all Debt then owing by Borrower to Agent or that Lender (including, without limitation, any participation purchased or to be purchased pursuant to Section 2.02(b) or Section 8.05 hereof), whether or not the same shall then have matured, any and all deposit balances and all other indebtedness then held or owing by Agent or that Lender (and such Lender's affiliates) to or for the credit or account of Borrower or any Guarantor of Payment, all without notice to or demand upon Borrower or any other Person, all such notices and demands being hereby expressly waived by Borrower.

Section 8.05 *Equalization Provision*. Each Lender agrees with the other Lenders that if it, at any time, shall obtain any Advantage over the other Lenders or any thereof in respect of the Debt (except as to Swing Loans and except under Article III hereof), it shall purchase from the other Lenders, for cash and at par, such additional participation in the Debt as shall be necessary to nullify the Advantage. If any such Advantage resulting in the purchase of an additional participation as aforesaid shall be recovered in whole or in part from the Lender receiving the Advantage, each such purchase shall be rescinded, and the purchase price restored (but without

interest unless the Lender receiving the Advantage is required to pay interest on the Advantage to the Person recovering the Advantage from such Lender) ratably to the extent of the recovery. Each Lender further agrees with the other Lenders that if it at any time shall receive any payment for or on behalf of Borrower on any indebtedness owing by Borrower to that Lender by reason of offset of any deposit or other indebtedness, it will apply such payment first to any and all Debt owing by Borrower to that Lender (including, without limitation, any participation purchased or to be purchased pursuant to this Section or any other Section of this Agreement). Borrower agrees that any Lender so purchasing a participation from the other Lenders or any thereof pursuant to this Section may exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender was a direct creditor of Borrower in the amount of such participation.

ARTICLE IX. THE AGENT

The Lenders authorize KeyBank National Association and KeyBank National Association hereby agrees to act as agent for the Lenders in respect of this Agreement upon the terms and conditions set forth elsewhere in this Agreement, and upon the following terms and conditions:

Section 9.01 *Appointment and Authorization*. Each Lender hereby irrevocably appoints and authorizes Agent to take such action as agent on its behalf and to exercise such powers hereunder as are delegated to Agent by the terms hereof, together with such powers as are reasonably incidental thereto. Neither Agent nor any of its affiliates, directors, officers, attorneys or employees shall be liable for any action taken or omitted to be taken by it or them hereunder or in connection herewith, except for its or their own gross negligence or willful misconduct.

Section 9.02 *Note Holders*. Agent may treat the payee of any Note as the holder thereof until written notice of transfer shall have been filed with it, signed by such payee and in form satisfactory to Agent.

Section 9.03 *Consultation With Counsel*. Agent may consult with legal counsel selected by it and shall not be liable for any action taken or suffered in good faith by it in accordance with the opinion of such counsel.

Section 9.04 *Documents*. Agent shall not be under any duty to examine into or pass upon the validity, effectiveness, genuineness or value of any Loan Documents or any other Related Writing furnished pursuant hereto or in connection herewith or the value of any collateral obtained hereunder, and Agent shall be entitled to assume that the same are valid, effective and genuine and what they purport to be.

Section 9.05 *Agent and Affiliates*. With respect to the Loans, Agent shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not Agent, and Agent and its affiliates may accept deposits from, lend money to and generally engage in any kind of business with any Company or any affiliate thereof.

Section 9.06 *Knowledge of Default*. It is expressly understood and agreed that Agent shall be entitled to assume that no Default or Event of Default has occurred, unless Agent has been notified by a Lender in writing that such Lender believes that a Default or Event of Default has occurred and is continuing and specifying the nature thereof.

Section 9.07 *Action by Agent*. Subject to the other terms and conditions hereof, so long as Agent shall be entitled, pursuant to Section 9.06 hereof, to assume that no Default or Event of Default shall have occurred and be continuing, Agent shall be entitled to use its discretion with respect to exercising or refraining from exercising any rights that may be vested in it by, or with respect to taking or refraining from taking any action or actions that it may be able to take under or in respect of, this Agreement. Agent shall incur no liability under or in respect of this Agreement by acting upon any notice, certificate, warranty or other paper or instrument believed by it to be genuine or authentic or to be signed by the proper party or parties, or with respect to anything that it may do or

refrain from doing in the reasonable exercise of its judgment, or that may seem to it to be necessary or desirable in the premises.

Section 9.08 *Notices, Default, Etc.* In the event that Agent shall have acquired actual knowledge of any Default or Event of Default, Agent shall promptly notify the Lenders and shall take such action and assert such rights under this Agreement as the Required Lenders shall direct and Agent shall inform the other Lenders in writing of the action taken. Subject to the other terms and conditions hereof, Agent may take such action and assert such rights as it deems to be advisable, in its discretion, for the protection of the interests of the holders of the Notes.

Section 9.09 *Indemnification of Agent.* The Lenders agree to indemnify Agent (to the extent not reimbursed by Borrower) ratably, according to their respective Commitment Percentages, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by or asserted against Agent in its capacity as agent in any way relating to or arising out of this Agreement or any Loan Document or any action taken or omitted by Agent with respect to this Agreement or any Loan Document, *provided* that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including attorneys' fees) or disbursements resulting from Agent's gross negligence, willful misconduct or from any action taken or omitted by Agent in any capacity other than as agent under the Loan Documents.

Section 9.10 *Successor Agent.* Agent may resign as agent hereunder by giving not fewer than 30 days prior written notice to Borrower and the Lenders. If Agent shall resign under this Agreement, then either (a) the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders (with the consent of Borrower so long as an Event of Default has not occurred and which consent shall not be unreasonably withheld), or (b) if a successor agent shall not be so appointed and approved within the 30 day period following Agent's notice to the Lenders of its resignation, then Agent shall appoint a successor agent that shall serve as agent until such time as the Required Lenders appoint a successor agent. Upon its appointment, such successor agent shall succeed to the rights, powers and duties as agent, and the term "Agent" shall mean such successor effective upon its appointment, and the former agent's rights, powers and duties as agent shall be terminated without any other or further act or deed on the part of such former agent or any of the parties to this Agreement.

Section 9.11 *Other Agent.* Any Lender identified herein as a Co-Agent, Syndication Agent, Documentation Agent, Co-Documentation Agent, Manager, Lead Arranger, Arranger, Book Runner or any other corresponding title, other than "Agent", shall have no right, power, obligation, liability, responsibility or duty under this Agreement or any other Credit Document except those applicable to all Lenders as such. Each Lender acknowledges that it has not relied, and will not rely, on any Lender so identified in deciding to enter into this Agreement or in taking or not taking any action hereunder.

Section 9.12 *No Reliance on Agent's Customer Identification Program.* Each Lender acknowledges and agrees that neither such Lender, nor any of its Affiliates, participants or assignees, may rely on Agent to carry out such Lender's, Affiliate's, participant's or assignee's customer identification program, or other obligations required or imposed under or pursuant to the USA Patriot Act or the regulations thereunder, including the regulations contained in 31 CFR 103.121 (as hereafter amended or replaced, the "*CIP Regulations*"), or any other Anti-Terrorism Law, including any programs involving any of the following items relating to or in connection with Borrower, any other Company, their respective Affiliates or agents, the Loan Documents or the transactions hereunder: (a) any identity verification procedures, (b) any record keeping, (c) any comparisons with government lists, (d) any customer notices or (e) any other procedures required under the CIP Regulations or such other laws.

Section 9.13 *USA Patriot Act.* Each Lender or assignee or participant of a Lender that is not organized under the laws of the United States of America or a state thereof (and is not excepted from the certification requirement contained in Section 313 of the USA Patriot Act and the applicable regulations because it is both (a) an affiliate of a depository institution or foreign bank that maintains a physical presence in the United States or foreign country, and (b) subject to supervision by a banking authority regulating such affiliated depository institution or

foreign bank) shall deliver to Agent the certification, or, if applicable, recertification, certifying that such Lender is not a “shell” and certifying to other matters as required by Section 313 of the USA Patriot Act and the applicable regulations: (i) within 10 days after the Closing Date and (ii) at such other times as are required under the USA Patriot Act.

ARTICLE X. MISCELLANEOUS

Section 10.01 *Lenders’ Independent Investigation*. Each Lender, by its signature to this Agreement, acknowledges and agrees that Agent has made no representation or warranty, express or implied, with respect to the creditworthiness, financial condition, or any other condition of any Company or with respect to the statements contained in any information memorandum furnished in connection herewith or in any other oral or written communication between Agent and such Lender. Each Lender represents that it has made and shall continue to make its own independent investigation of the creditworthiness, financial condition and affairs of the Companies in connection with the extension of credit hereunder, and agrees that Agent has no duty or responsibility, either initially or on a continuing basis, to provide any Lender with any credit or other information with respect thereto (other than such notices as may be expressly required to be given by Agent to the Lenders hereunder), whether coming into its possession before the first Credit Event hereunder or at any time or times thereafter.

Section 10.02 *No Waiver; Cumulative Remedies*. No omission or course of dealing on the part of Agent, any Lender or the holder of any Note in exercising any right, power or remedy hereunder or under any of the Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder or under any of the Loan Documents. The remedies herein provided are cumulative and in addition to any other rights, powers or privileges held by operation of law, by contract or otherwise.

Section 10.03 *Amendments, Consents*. No amendment, modification, termination, or waiver of any provision of any Loan Document nor consent to any variance therefrom (except with respect to *Exhibit I* attached hereto), shall be effective unless the same shall be in writing and signed by the Required Lenders and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. *Exhibit I* hereto may be amended, supplemented, replaced or otherwise modified from time to time at the written request of Borrower and upon the written consent of Agent and the LC Issuer, which amendment, supplement or other modification to or replacement of *Exhibit I* hereto shall be in form and substance reasonably satisfactory to Agent and the LC Issuer. Anything herein to the contrary notwithstanding, unanimous consent of the Lenders affected thereby shall be required with respect to (a) any increase in the Commitment hereunder except as permitted by Section 2.10(b) of this Agreement, (b) the extension of maturity of the Loans, the payment date of interest or scheduled principal thereunder, or the payment date of facility or other fees or amounts payable hereunder, (c) any reduction in the rate of interest on the Notes, or in any amount of principal or interest due on any Note, or the payment of facility or other fees hereunder or any change in the manner of pro rata application of any payments made by Borrower to the Lenders hereunder, (d) any change in any percentage voting requirement, voting rights, or the Required Lenders definition in this Agreement, (e) the release of any Guarantor of Payment, except in accordance with Section 5.19 hereof or for the release of any Guarantor of Payment in connection with a transaction expressly permitted pursuant to this Agreement, or (f) any amendment to this Section 10.03 or Section 8.05 hereof. Notice of amendments or consents ratified by the Lenders hereunder and any amendment, supplement or other modification to or replacement of *Exhibit I* hereto shall immediately be forwarded by Borrower to all Lenders. Each Lender or other holder of a Note shall be bound by any amendment, waiver or consent obtained as authorized by this Section, regardless of its failure to agree thereto. Notwithstanding any of the foregoing, this Agreement may be amended to extend the Commitment Period or to provide for additional Commitments in the manner contemplated by Sections 2.10(b) and 2.13 and without any additional consent.

Section 10.04 *Notices*. All notices, requests, demands and other communications provided for hereunder shall be in writing addressed to each party at the address specified on the signature pages of this Agreement, or,

as to each party, at such other address as shall be designated by such party in a written notice to each of the other parties. All notices, statements, requests, demands and other communications provided for hereunder shall be deemed delivered (a) upon receipt when delivered in person, (b) upon receipt of electronic confirmation of error free transmission when sent by facsimile or other electronic means, (c) upon receipt when sent by nationally (or internationally, as the case may be) recognized overnight delivery service, or (d) 48 hours after being deposited in the mail when sent by first class mail, registered mail, or certified mail.

Section 10.05 *Costs, Expenses and Taxes*. Borrower agrees to pay on demand all costs and expenses of Agent, including, but not limited to, (a) reasonable syndication, administration, travel and out-of-pocket expenses, including, but not limited to, reasonable attorneys' fees and expenses, of Agent in connection with the preparation, negotiation and closing of the Loan Documents and the administration of the Loan Documents, the collection and disbursement of all funds hereunder and the other instruments and documents to be delivered hereunder, (b) reasonable extraordinary expenses of Agent in connection with the administration of the Loan Documents and the other instruments and documents to be delivered hereunder, and (c) reasonable fees and out-of-pocket expenses of special counsel for Agent, with respect to the foregoing, and of local counsel, if any, who may be retained by said special counsel with respect thereto. Borrower also agrees to pay on demand all costs and expenses of Agent and the Lenders, including reasonable attorneys' fees, in connection with the restructuring or enforcement of the Debt, this Agreement or any Related Writing. In addition, Borrower shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution and delivery of the Loan Documents, and the other instruments and documents to be delivered hereunder, and agrees to hold Agent and each Lender harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes or fees.

Section 10.06 *Indemnification*. Borrower agrees to defend, indemnify and hold harmless Agent and the Lenders (and their respective affiliates, officers, directors, attorneys, agents and employees) from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including attorneys' fees) or disbursements of any kind or nature whatsoever that may be imposed on, incurred by or asserted against Agent or any Lender in connection with any investigative, administrative or judicial proceeding (whether or not such Lender or Agent shall be designated a party thereto or whether initiated by the Borrower or any of its Subsidiaries, or their respective affiliates, or a third party) or any other claim by any Person relating to or arising out of any Loan Document or any actual or proposed use of proceeds of the Loans or any of the Debt; *provided* that neither Agent nor any Lender shall have the right to be indemnified under this Section for its own gross negligence or willful misconduct; *provided, further*, that with respect to any such costs, expenses (including attorneys' fees) and disbursements incurred by Agent and/or any of the Lenders, Borrower shall only indemnify Agent or such Lenders for such reasonable costs, expenses and disbursements. All obligations provided for in this Section 10.06 shall survive any termination of this Agreement.

Section 10.07 *Obligations Several; No Fiduciary Obligations*. The obligations of the Lenders hereunder are several and not joint. Nothing contained in this Agreement and no action taken by Agent or the Lenders pursuant hereto shall be deemed to constitute the Lenders a partnership, association, joint venture or other entity. No default by any Lender hereunder shall excuse the other Lenders from any obligation under this Agreement; but no Lender shall have or acquire any additional obligation of any kind by reason of such default. The relationship among Borrower and the Lenders with respect to the Loan Documents and the Related Writings is and shall be solely that of debtor and creditors, respectively, and neither Agent nor any Lender shall have any fiduciary obligation toward Borrower with respect to any such documents or the transactions contemplated thereby.

Section 10.08 *Execution in Counterparts*. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

Section 10.09 *Binding Effect; Borrower's Assignment*. This Agreement shall become effective when it shall have been executed by Borrower, Agent and by each Lender and thereafter shall be binding upon and inure to the benefit of Borrower, Agent and each of the Lenders and their respective successors and assigns, except that

Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of Agent and all of the Lenders.

Section 10.10 *Assignments.*

(a) Each Lender shall have the right, in accordance with the terms and conditions of this Section 10.10, at any time or times to assign to one or more commercial banks, finance companies, insurance companies or other financial institution or fund which, in each case, in the ordinary course of business extends credit of the type contemplated herein and whose becoming an assignee would not constitute a prohibited transaction under Section 4975 of ERISA, without recourse, all or a percentage of all of such Lender's Commitment, all Loans made by such Lender, such Lender's Notes, and such Lender's interest in any participation purchased pursuant to Section 2.02(b) or Section 8.05 hereof.

(b) No assignment may be consummated pursuant to this Section 10.10 without the prior written consent of Borrower and Agent (other than an assignment by any Lender to any affiliate of such Lender which affiliate is either wholly-owned by such Lender or is wholly-owned by a Person that wholly owns, either directly or indirectly, such Lender), which consent of Borrower and Agent shall not be unreasonably withheld; *provided, however*, that, Borrower's consent shall not be required if, (i) such assignment is to another Lender, or (ii) at the time of the proposed assignment, any Default or Event of Default shall then exist. Anything herein to the contrary notwithstanding, any Lender may at any time make a collateral assignment of all or any portion of its rights under the Loan Documents to a Federal Reserve Bank, and no such assignment shall release such assigning Lender from its obligations hereunder.

(c) Each assignment made pursuant to this Section 10.10 shall be in a minimum amount of the lesser of \$5,000,000 of the assignor's Commitment and interest herein or the entire amount of the assignor's Commitment and interest herein.

(d) Unless an assignment made pursuant to this Section 10.10 shall be to an affiliate of the assignor or the assignment shall be due to merger of the assignor or for regulatory purposes, either the assignor or the assignee shall remit to Agent, for its own account, an administrative fee of \$3,500.

(e) Unless an assignment made pursuant to this Section 10.10 shall be due to merger of the assignor or a collateral assignment for regulatory purposes, the assignor shall (i) cause the assignee to execute and deliver to Borrower and Agent an Assignment Agreement and (ii) execute and deliver, or cause the assignee to execute and deliver, as the case may be, to Agent such additional amendments, assurances and other writings as Agent may reasonably require.

(f) If an assignment made pursuant to this Section 10.10 is to be made to an assignee that is organized under the laws of any jurisdiction other than the United States or any state thereof, the assignor Lender shall cause such assignee, at least five Business Days prior to the effective date of such assignment, (i) to represent to the assignor Lender (for the benefit of the assignor Lender, Agent and Borrower) that under applicable law and treaties no taxes will be required to be withheld by Agent, Borrower or the assignor with respect to any payments to be made to such assignee in respect of the Loans hereunder, (ii) to furnish to the assignor (and, in the case of any assignee registered in the Register (as defined below), Agent and Borrower) either (A) U.S. Internal Revenue Service Form W-8ECI or U.S. Internal Revenue Service Form W-8BEN or (B) United States Internal Revenue Service Form W-8 or W-9, as applicable (wherein such assignee claims entitlement to complete exemption from U.S. federal withholding tax on all interest payments hereunder), and (iii) to agree (for the benefit of the assignor, Agent and Borrower) to provide the assignor Lender (and, in the case of any assignee registered in the Register, Agent and Borrower) a new Form W-8ECI or Form W-8BEN or Form W-8 or W-9, as applicable, upon the expiration or obsolescence of any previously delivered form and comparable statements in accordance with applicable U.S. laws and regulations and amendments duly executed and completed by such assignee, and to comply from time to time with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

(g) Upon satisfaction of all applicable requirements specified in subparts (a) through (f) above, Borrower shall execute and deliver (i) to Agent, the assignor and the assignee, any consent or release (of all or a portion of

the obligations of the assignor) required to be delivered by Borrower in connection with the Assignment Agreement, and (ii) to the assignee or the assignor (if applicable), an appropriate Note or Notes. After delivery of the new Note or Notes, the assignor's Note or Notes being replaced shall be returned to Borrower marked "replaced".

(h) Upon satisfaction of all applicable requirements specified in subparts (a) through (f) above, and any other condition contained in this Section 10.10, (i) the assignee shall become and thereafter be deemed to be a "Lender" for the purposes of this Agreement, (ii) the Assignor shall be released from its obligations hereunder to the extent its interest has been assigned, (iii) in the event that the assignor's entire interest has been assigned, the assignor shall cease to be and thereafter shall no longer be deemed to be a "Lender" and (iv) the signature pages hereto and Schedule 1 hereto shall be automatically amended, without further action, to reflect the result of any such assignment.

(i) Agent shall maintain at the address for notices referred to in Section 10.04 hereof a copy of each Assignment Agreement delivered to it and a register (the "Register") for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Loans owing to, each Lender from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and Borrower, Agent and the Lenders may treat each financial institution whose name is recorded in the Register as the owner of the Loan recorded therein for all purposes of this Agreement. The Register shall be available for inspection by Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

Section 10.11 *Participations.*

(a) Each Lender shall have the right at any time or times, without the consent of Agent or Borrower, to sell one or more participations or sub-participations to a financial institution or other "accredited investor" (as defined in SEC Regulation D), as the case may be, in all or any part of such Lender's Commitment, such Lender's Commitment Percentage, any Loan made by such Lender, any Note delivered to such Lender pursuant to this Agreement, and such Lender's interest in any participation, if any, purchased pursuant to Section 2.02(b), Section 8.05 or this Section 10.11.

(b) The provisions of Article III and Section 10.06 shall inure to the benefit of each purchaser of a participation or sub-participation and Agent shall continue to distribute payments pursuant to this Agreement as if no participation has been sold.

(c) If any Lender shall sell any participation or sub-participation pursuant to this Section 10.11, such Lender shall, as between itself and the purchaser, retain all of its rights (including, without limitation, rights to enforce against Borrower the Loan

Documents and the Related Writings) and duties pursuant to the Loan Documents and the Related Writings, including, without limitation, such Lender's right to approve any waiver, consent or amendment pursuant to Section 10.03, except if and to the extent that any such waiver, consent or amendment would:

- (i) reduce any fee or commission allocated to the participation or sub-participation, as the case may be,
 - (ii) reduce the amount of any principal payment on any Loan allocated to the participation or sub-participation, as the case may be, or reduce the principal amount of any Loan so allocated or the rate of interest payable thereon, or
 - (iii) extend the time for payment of any amount allocated to the participation or sub-participation, as the case may be.
- (d) No participation or sub-participation shall operate as a delegation of any duty of the seller thereof.

(e) Under no circumstance shall any participation or sub-participation be deemed a novation in respect of all or any part of the seller's obligations pursuant to this Agreement.

Section 10.12 *Severability of Provisions; Captions; Attachments.* Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction. The several captions to Sections and subsections herein are inserted for convenience only and shall be ignored in interpreting the provisions of this Agreement. Each schedule or exhibit attached to this Agreement shall be incorporated herein and shall be deemed to be a part hereof.

Section 10.13 *Judgment Currency.* If Agent, on behalf of the Lenders, obtains a judgment or judgments against Borrower in an Alternate Currency, the obligations of Borrower in respect of any sum adjudged to be due to Agent or the Lenders hereunder or under the Notes (the "*Judgment Amount*") shall be discharged only to the extent that, on the Business Day following receipt by Agent of the Judgment Amount in the Alternate Currency, Agent, in accordance with normal banking procedures, may purchase Dollars with the Judgment Amount in such Alternate Currency. If the amount of Dollars so purchased is less than the amount of Dollars that could have been purchased with the Judgment Amount on the date or dates the Judgment Amount (excluding the portion of the Judgment Amount which has accrued as a result of the failure of Borrower to pay the sum originally due hereunder or under the Notes when it was originally due hereunder or under the Notes) was originally due and owing (the "*Original Due Date*") to Agent or the Lenders hereunder or under the Notes (the "*Loss*"), Borrower agrees as a separate obligation and notwithstanding any such judgment, to indemnify Agent or such Lender, as the case may be, against the Loss, and if the amount of Dollars so purchased exceeds the amount of Dollars that could have been purchased with the Judgment Amount on the Original Due Date, Agent or such Lender agrees to remit such excess to Borrower.

Section 10.14 *Investment Purpose.* Each of the Lenders represents and warrants to Borrower that it is entering into this Agreement with the present intention of acquiring any Note issued pursuant hereto for investment purposes only and not for the purpose of distribution or resale, it being understood, however, that each Lender shall at all times retain full control over the disposition of its assets.

Section 10.15 *Entire Agreement.* This Agreement, any Note and any other Loan Document or other agreement, document or instrument attached hereto or executed on or as of the Closing Date integrate all the terms and conditions mentioned herein or incidental hereto and supersede all oral representations and negotiations and prior writings with respect to the subject matter hereof.

Section 10.16 *Governing Law; Submission to Jurisdiction.* This Agreement, each of the Notes and any Related Writing shall be governed by and construed in accordance with the laws of the State of Ohio and the respective rights and obligations of Borrower and the Lenders shall be governed by Ohio law, without regard to principles of conflict of laws; provided, however, that, with respect to Letters of Credit, except to the extent inconsistent with the laws of the State of Ohio or otherwise expressly stated in any such Letter of Credit, Letters of Credit shall be subject to the terms of (a) with respect to matters relating to standby Letters of Credit and LC Applications therefor, the ISP or the UCP, at the option of the LC Applicant, and (b) with respect to matters relating to commercial Letters of Credit and LC Applications therefor, the UCP. Borrower hereby irrevocably submits to the non-exclusive jurisdiction of any Ohio state or federal court sitting in Cleveland, Ohio, over any action or proceeding arising out of or relating to this Agreement, the Debt or any Related Writing, and Borrower hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such Ohio state or federal court. Borrower, on behalf of itself and its Subsidiaries, hereby irrevocably waives, to the fullest extent permitted by law, any objection it may now or hereafter have to the laying of venue in any action or proceeding in any such court as well as any right it may now or hereafter have to remove such action or proceeding, once commenced, to another court on the grounds of FORUM NON CONVENIENS or otherwise. Borrower agrees that a final, nonappealable judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

Section 10.17 *Legal Representation of Parties*. The Loan Documents were negotiated by the parties with the benefit of legal representation and any rule of construction or interpretation otherwise requiring this Agreement or any other Loan Document to be construed or interpreted against any party shall not apply to any construction or interpretation hereof or thereof.

Section 10.18 *Source of Funds*. Each of the Lenders hereby severally (and not jointly) represents to Borrower that no part of the funds to be used by such Lender to fund the Loans hereunder from time to time constitutes (a) assets allocated to any separate account maintained by such Lender in which any employee benefit plan (or its related trust) has any interest nor (b) any other assets of any employee benefit plan. As used in this Section, the terms “employee benefit plan” and “separate account” shall have the respective meanings assigned to such terms in Section 3 of ERISA.

Section 10.19 *Confidential Information*. For the purposes of this Section, “*Confidential Information*” means information provided to a Lender by or on behalf of a Company in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is confidential and/or proprietary in nature and that was clearly marked or labeled or otherwise adequately identified in writing (or verbally in the case of an oral communication) when received by such Lender as being confidential information; *provided* that such term does not include information that (a) was publicly known or otherwise known to such Lender prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such Lender or any Person acting on such Lender’s behalf, (c) otherwise becomes known to such Lender other than through disclosure by a Company or any other Lender, or (d) constitutes financial statements delivered or made available to such Lender under Article V that are otherwise publicly available. Each Lender will maintain the confidentiality of Confidential Information provided to the Lender in accordance with reasonable procedures adopted by such Lender in good faith to protect confidential information of third parties delivered to such Lender, *provided* that such Lender may deliver or disclose Confidential Information to (i) its directors, trustees, officers, employees, agents, attorneys and Affiliates (which Affiliates have agreed to hold confidential the confidential information) (to the extent such disclosure reasonably relates to this Agreement), (ii) its financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section, (iii) any other Lender, (iv) any permitted assignee to which such Lender proposes to make, or makes, an assignment pursuant to and permitted by Section 10.10 (and provided such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section), (v) any federal or state regulatory authority having jurisdiction over such Lender to the extent required, or (vi) any other Person to which such delivery or disclosure may be required (w) to effect compliance with any law, rule, regulation or order applicable to such Lender, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which such Lender is a party or (z) if an Event of Default has occurred and is continuing, to the extent such Lender may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of such Lender’s rights and remedies under this Agreement. Without limiting the foregoing, each assignee pursuant to Section 10.10 shall enter into such agreement with Borrower confirming that such assignee is bound by the provisions of this Section as Borrower may reasonably request.

Section 10.20 *Jury Trial Waiver*. BORROWER, AGENT AND EACH OF THE LENDERS WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT AND THE LENDERS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED THERETO.

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

Address: 5960 Heisley Road
Mentor, Ohio 44060
Attn: Vice President and
Corporate Treasurer

STERIS CORPORATION
By: /s/ William L. Aamoth
William L. Aamoth,
Vice President and
Corporate Treasurer

Address: 127 Public Square
Cleveland, Ohio 44114-1306
Attn: _____

KEYBANK NATIONAL ASSOCIATION, as Agent,
Lead Arranger, Book Runner and as a Lender
By: /s/ J. T. Taylor
Name: J. T. Taylor
Title: Senior Vice President

Address: _____

Attn: _____

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION, as Co-Syndication Agent
and a Lender
By: /s/ Sean M. Story
Name: Sean M. Story
Title: Associate

Address: _____

Attn: _____

PNC BANK, NATIONAL ASSOCIATION,
as Co-Syndication Agent and a Lender
By: /s/ Joseph G. Moran
Name: Joseph G. Moran
Title: Managing Director

Address: _____

Attn: _____

BMO CAPITAL MARKETS FINANCING INC., as
Co-Documentation Agent and a Lender
By: /s/ Craig Munro
Name: Craig Munro
Title: Managing Director

Address: _____

Attn: _____

NATIONAL CITY BANK,
as Co-Documentation Agent and a Lender
By: /s/ Robert S. Coleman
Name: Robert S. Coleman
Title: Senior Vice President

Address: _____

Attn: _____

US BANK NATIONAL ASSOCIATION
By: /s/ Patrick McGraw
Name: Patrick McGraw
Title: Vice President

Address: _____

Attn: _____

CITIBANK, N.A.
By: /s/ James M. Buchanan
Name: James M. Buchanan
Title: Vice President

Address: _____

Attn: _____

LASALLE BANK NATIONAL ASSOCIATION, as
an LC Issuer and as a Lender

By: /s/ Lawrence B. McDonald
Name: Lawrence B. McDonald
Title: First Vice President

Address: _____

Attn: _____

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., CHICAGO BRANCH

By: /s/ Masakazu Sato
Name: Masakazu Sato
Title: Deputy General Manager

Address: _____

Attn: _____

RBS CITIZENS, N.A.

By: /s/ Brian H. Gallagher
Name: Brian H. Gallagher
Title: Vice President

Address: _____

Attn: _____

BANK OF AMERICA, N.A.

By: /s/ Craig Murlless
Name: Craig Murlless
Title: Senior Vice President

Address: _____

Attn: _____

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

By: /s/ Emilio de las Heras
Name: Emilio de las Heras
Title: Head of New York

GUARANTY SUPPLEMENT

To the Holders of the Series A-1 Notes, Series A-2 Notes and Series A-3 Notes (as hereinafter defined) of STERIS Corporation (the "Company")

Re: HSTD LLC.

Ladies and Gentlemen:

WHEREAS, in order to refinance certain debt and for general corporate purposes, the Company issued (a) \$40,000,000 aggregate principal amount of its 4.20% Senior Notes, Series A-1, due December 15, 2008 (the "Series A-1 Notes"), (b) \$40,000,000 aggregate principal amount of its 5.25% Senior Notes, Series A-2, due December 15, 2013 (the "Series A-2 Notes") and (c) \$20,000,000 aggregate principal amount of its 5.38% Senior Notes, Series A-3, due December 15, 2015 (the "Series A-3 Notes"; the Series A-1 Notes, Series A-2 Notes and the Series A-3 Notes shall be collectively referred to herein to the "Notes") pursuant to those certain Note Purchase Agreements dated as of December 17, 2003 (the "Note Purchase Agreements") between the Company and each of the purchasers named on Schedule A thereto (the "Initial Note Purchasers").

WHEREAS, as a condition precedent to their purchase of the Notes, the Initial Note Purchasers required that certain subsidiaries of the Company enter into a Subsidiary Guaranty as security for the Notes (the "Guaranty").

Pursuant to Section 9.7 of the Note Purchase Agreements, the Company has agreed to cause the undersigned, HSTD LLC, a limited liability company organized under the laws of Delaware (the "Additional Guarantor"), to join in the Guaranty. In accordance with the requirements of the Guaranty, the Additional Guarantor desires to amend the definition of Guarantor (as the same may have been heretofore amended) set forth in the Guaranty attached hereto so that at all times from and after September 13, 2007, the Additional Guarantor shall be jointly and severally liable as set forth in the Guaranty for the obligations of the Company under the Note Purchase Agreements and Notes to the extent and in the manner set forth in the Guaranty.

The undersigned is the duly elected Vice President and Treasurer of the Additional Guarantor, a subsidiary of the Company, and is duly authorized to execute and deliver this Guaranty Supplement to each of you. The execution by the undersigned of this Guaranty Supplement shall evidence its consent to and acknowledgment and approval of the terms set forth herein and in the Guaranty and by such execution the Additional Guarantor shall be deemed to have made in favor of the Holders the representations and warranties set forth in Section 5 of the Guaranty.

Upon execution of this Guaranty Supplement and effective as of September 13, 2007, the Guaranty shall be deemed to be amended as set forth above. Except as amended herein, the terms and provisions of the Guaranty are hereby ratified, confirmed and approved in all respects.

Any and all notices, requests, certificates and other instruments (including the Notes) may refer to the Guaranty without making specific reference to this Guaranty Supplement, but nevertheless all such references shall be deemed to include this Guaranty Supplement unless the context shall otherwise require.

Dated as of September 25, 2007

HSTD LLC

By: /s/ WILLIAM L. AAMOTH

William L. Aamoth
Vice President and Treasurer

Accepted and Agreed:

STERIS CORPORATION

By: /s/ WILLIAM L. AAMOTH

William L. Aamoth
Vice President and Corporate Treasurer



September 7, 2007

Mr. Walter M. Rosebrough, Jr.
831 Farm Quarter Road
Mt. Pleasant, SC 29464

Dear Walt:

STERIS Corporation ("STERIS" or "Company") is pleased to present our offer of employment to you. Upon approval by the STERIS Board of Directors (the "Board") and execution by you and STERIS, this letter agreement will be effective October 1, 2007 (the "Effective Date"), and contain the terms and conditions of your employment and the rights and obligations of the parties relating to your employment. Notwithstanding anything herein to the contrary, you will be an at-will employee of the Company, and either you or the Company may terminate your employment with the Company at any time for any reason or for no reason.

1. Position and Duties. Upon the Effective Date, you will have the positions and titles of President and Chief Executive Officer, reporting to the Board. You will have the duties, responsibilities, obligations and authority of an executive serving in such positions, subject to Board approvals and delegations. While you are employed in such positions, you will devote your best efforts and your full business time and attention (except for permitted vacation periods, reasonable periods of illness or other incapacity, and not more than 3 company board memberships in addition to membership on STERIS's Board, subject to Board approval, provided that no more than 2 of such board memberships may be on public company boards) to the business and affairs of STERIS. You will perform your duties, responsibilities, and obligations to the best of your abilities in a diligent, trustworthy, ethical, responsible, businesslike and efficient manner. You will perform your duties and responsibilities principally in the metropolitan area of the Company's headquarters in Mentor, Ohio. Upon the Effective Date, you will be appointed as a member of the Board and, provided you continue to serve as President and Chief Executive Officer, the Board or the Compensation and Corporate Governance Committee of the Board ("Committee") will nominate you to stand for election as a member of the Board at the Company's 2008 Annual Meeting of Shareholders.

2. Compensation. During the Term, you shall be entitled to the compensation and benefits described in this Paragraph 2.

(a) **Salary.** Your initial base salary rate during the Company's fiscal year that commences on April 1, 2007 and ends on March 31, 2008 ("FY08") will be \$750,000 per year and will be subject to annual or other periodic review by the Board or the Committee.

(b) **Bonus/FY08 Incentive.** During FY08, you will be eligible to participate in the Company's Senior Executive Management Incentive Compensation Plan ("SEMICP") with an incentive award based on achievement of specified performance goals and criteria identified by the Board, at a guideline rate of 100% and a maximum award not to exceed 175% of your base salary earned in FY08.

(c) **Senior Executive Management Incentive Compensation Plan.** After FY08, you will be eligible to participate in the SEMICP with an incentive award based on achievement of specified performance goals as determined by criteria and other performance measures and target attainment as may be established by the Committee.

(d) **Initial Equity Compensation.** For FY08, you will be entitled to receive a grant of 12,000 STERIS restricted stock units ("Restricted Stock Units") and 35,000 options on STERIS common shares ("Stock

Options”) subject and pursuant to the terms and conditions of the STERIS Corporation 2006 Long Term Equity Incentive Plan (the “2006 Equity Plan”) and the applicable Restricted Stock Unit and Non-Qualified Stock Option agreements, which you will be required to sign. These FY08 Stock Option and Restricted Stock Unit grants will be granted on the tenth trading day after the Effective Date. The exercise price of the FY08 Stock Options and the value assigned to the FY08 Restricted Stock Units will be the closing price of STERIS common stock on the New York Stock Exchange on the date of grant.

(e) Equity/Long Term Incentive Awards. After FY08, you will also be entitled to participate in Restricted Stock Unit, Stock Option, and other equity incentive compensation awards pursuant to the 2006 Equity Plan or other plans or programs approved by shareholders or the Board, with such participation as determined by the Board or the Committee.

(f) Expense Reimbursement. STERIS will reimburse you for all reasonable business expenses incurred by you during your employment in the course of performing your duties under this Agreement that are consistent with STERIS policies in effect from time to time with respect to travel, entertainment and other business expenses, subject to requirements applicable generally with respect to reporting and documentation of such expenses.

(g) Benefits. You will be entitled to participate in STERIS’s standard benefit programs applicable to other salaried employees of STERIS (the “Standard Benefits Package”). The Standard Benefits Package means those benefits (which may include the STERIS Retirement Savings Plan, deferred compensation program, medical and dental programs, short-term and long-term disability benefits, life insurance, business travel accident coverage, flexible spending accounts, and employee assistance program) for which STERIS’s salaried, non-union, employees located in the Company’s headquarters location are from time to time generally eligible, as determined from time to time by the Committee or the Board. Notwithstanding anything to the contrary, the Standard Benefits Package will not include the right to participate in any severance, separation or termination plan, program or benefit, which you agree is superseded and fully replaced by this agreement.

(h) Change of Control Agreement. The Board has approved the execution by the Company of a Change of Control Agreement with you upon the Effective Date (your “Change in Control Agreement”).

(i) Sign-On Compensation. You will receive a one-time payment and equity grant as follows: (i) cash payment in the amount of \$200,000, (ii) a grant of 100,000 Stock Options, and (iii) a grant of 33,000 Restricted Stock Units. The cash payment will be paid to you on the Effective Date. The one-time grants of Stock Options and Restricted Stock Units described in this subsection are subject and pursuant to the 2006 Equity Plan and the applicable Restricted Stock Unit and Non-Qualified Stock Option agreements and will be made on the tenth trading day after the Effective Date. The exercise price of the Stock Options and the value assigned to the Restricted Stock Units will be the closing price of STERIS common stock on the New York Stock Exchange on the date of grant.

(j) Other. You will also be entitled to the following: (i) four (4) weeks of paid vacation per year; (ii) a car allowance equal to \$1,250 per month; (iii) an annual allowance for financial planning and tax preparation up to \$5,500 per year, payable upon submission of appropriate documentation; (iv) participation in the executive physical program established by STERIS and approved by the Committee; (v) club dues and related initiation fees as approved by the Committee; and (vi) reimbursement, in accordance with STERIS’s relocation policy, for your reasonable expenses incurred in relocating yourself and your family to the Mentor, Ohio area.

You understand that your compensation will be subject to applicable withholding, deductions and contributions. To the extent that any benefit described in Subparagraph 2(f) or 2(j) or Subparagraph 5(b)(i) is provided through reimbursement of incurred expenses and the right to receive such reimbursement would constitute the deferral of compensation within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (“Section 409A”), any such reimbursement shall be for appropriate expenses incurred by you during the Term and such reimbursement shall be made not later than December 31 of the year following the year in which you incur the expense. In no event will the amount of expenses so reimbursed by STERIS in one year affect the amount of expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year.

In addition, if the Company's financial statements for any fiscal year of the Company falling within the Term are required to be restated due to material noncompliance, as a result of misconduct, with any financial reporting requirement you shall, at the request of the Board or the Committee, return or forfeit, as applicable, all or a portion (but no more than one-hundred percent (100%)) of any bonus or incentive award (including equity awards) made to you with respect to any fiscal year of the Company the financial results of which are negatively affected by such restatement. The amount to be recovered from you shall be the amount by which the bonus or incentive compensation award exceeded the amount that would have been payable to you had the Company's financial statements been initially filed as restated (including, but not limited to, the entire award), as determined by the Board or the Committee. The Committee shall determine whether the Company shall effect any such recovery (i) by seeking repayment from you, (ii) by reducing (subject to applicable law and the terms and conditions of the applicable plan, program or arrangement) the amount that would otherwise be payable to you under any compensatory plan, program or arrangement maintained by the Company, (iii) by withholding payment of future increases in compensation (including the payment of any discretionary bonus amount) or grants of compensatory awards that would otherwise have been made in accordance with the Company's compensation practices, or (iv) by any combination of the foregoing.

3. Other Agreements. You agree, in connection with your employment with STERIS, to execute and be bound by the terms and conditions of the following agreements: (a) Change of Control Agreement (Tier 1); (b) Restricted Stock Unit Agreements; (c) Non-Qualified Stock Option Agreement; (d) Non-Disclosure and Non-Competition Agreement; and (e) Code of Business Conduct (collectively, the "Other Agreements").

4. Term.

(a) Except as hereinafter provided, the term of this letter agreement (the "Term") shall commence upon the Effective Date and shall continue until the close of business on the third anniversary of the Effective Date.

(b) On the third anniversary of the Effective Date and on each anniversary thereafter, unless the Term shall have ended pursuant to subparagraph 4(c) below or the Company shall have given you thirty (30) days written notice that the Term will not be extended, the Term shall be extended for an additional year.

(c) Notwithstanding (a) or (b) above, the Term shall end upon the termination of your employment with the Company for any reason.

5. Post-Employment Benefits.

(a) **Accrued Compensation/Benefits.** Upon the termination of your employment for any reason during the Term, you will cease to have any rights to compensation or benefits and except as otherwise set forth herein, you shall be entitled only to (i) any base salary that has accrued but is unpaid, any reimbursable expenses that have been incurred but are unpaid, and any unexpired vacation days that have accrued under STERIS's vacation policy but are unused, as of the end of your employment; (ii) any plan benefits that by their terms extend beyond termination of your employment but only to the extent provided in any such benefit plan in which you have participated as an employee of STERIS; and (iii) any benefits to which you are entitled under Part 6 of Subtitle B of Title I of the Employee Retirement Income Security Act of 1974, as amended ("COBRA").

(b) **Severance.** If your employment terminates during the Term by reason of your death or Disability (as defined below), because the Company terminates your employment without Cause (as defined below), or because you terminate your employment with Good Reason (as defined below) then, subject to Paragraph 5(c) below, you will be entitled to the following amounts and benefits, all payable in accordance with the requirements of Section 409A:

(i) An amount equal to twenty-four (24) months of salary continuation, car allowance and financial planning/tax preparation allowance. Such amount shall be paid in twenty-four (24) monthly installments, each of which shall be considered a separate payment and not one of a series of payments, to commence on the first day of the first month following the 60th day after your termination of employment, provided that if, on the date of your termination of employment, you are a specified employee (within the meaning of in Section 409A), and if the payments to be made to you hereunder are considered to be the deferral of compensation within the meaning of Section 409A, the Company shall pay all amounts of such deferred

compensation that would have been due during the six-month period following your termination of employment on the first day of the seventh month following the termination date (or, if earlier, as soon as practicable after the date of your death);

(ii) the annual one-time incentive payment you would have been paid, if any, under the SEMICP relating to the fiscal year of termination if your employment had not been terminated, prorated to the date of termination, such payment to be based on applicable targets, threshold and other SEMICP criteria and terms and actual performance relative thereto for such fiscal year, and to be made at the same time that annual incentive payments for such fiscal year are made to other senior executives of the Company;

(iii) eighteen (18) months of continuation in STERIS medical and dental plans (the "Health Plans") pursuant to COBRA, (it being understood that the Health Plans expressly do not include life insurance or short-term or long-term disability coverage). You will be required to pay the normal cost of such COBRA coverage.

(c) Release. Notwithstanding anything herein to the contrary, the Company shall not be obligated to make any payment or provide any benefit under Paragraph 5(b) hereof following your termination of employment by reason of your Disability or a termination of your employment by the Company without Cause or by you for Good Reason unless, on or before the sixtieth (60th) day following your termination of employment, (i) you execute a release of all current or future claims, known or unknown, arising on or before the date of the release against the Company and its subsidiaries and the directors, officers, employees and affiliates of any of them, in the form attached to this Agreement, and (ii) any applicable revocation period expires without you having revoked such release.

(d) Notwithstanding anything to the contrary, if you are entitled to benefits under this Agreement and your Change in Control Agreement based on the same event, you will be entitled to severance benefits under either this Agreement or your Change in Control Agreement, whichever provides for greater benefits, but will not be entitled to benefits under both agreements.

(e) For purposes of this agreement:

(i) "Cause" means (A) your conviction of a felony; (B) your indictment for a felony as a result of any acts or omissions in the operation of the Company's business, except to the extent that such acts or omissions are fully consistent with Company policy and industry practices; (C) your indictment for a felony that is not as a result of any acts or omissions in the operation of the Company's business but has a material adverse effect upon the Company, its business or reputation or your ability to perform your duties, (D) fraud, misappropriation or embezzlement by you whether or not involving the Company; (E) your material breach of this Agreement or any of the Other Agreements which has not been cured within the applicable time period set forth in those Agreements and, if not so specified, promptly (taking into account the nature of the misconduct and the actions that must be taken to effect the cure) after receipt by you of notice thereof from the Company; or (F) your gross misconduct, gross negligence, moral turpitude, or insubordination, that has a material adverse effect upon the Company, its business or reputation or your ability to perform your duties;

(ii) "Good Reason" means (A) the Company fails to make any payment when due pursuant to Section 2; (B) demotion from your position as President and Chief Executive Officer, (C) any material decrease in your base salary compensation, a reduction of your maximum bonus opportunity under the SEMICP to less than 100% of base salary, or the Company's failure to provide you eligibility for stock, options or other equity grants under the 2006 Equity Plan or successor plans if such grants are broadly provided to other current senior executives, provided that any such decrease, reduction, or non-eligibility described in this Section 5(e)(ii)(C) will not be considered Good Reason if similar change(s) are recommended by the Company's independent compensation consultant, or by the STERIS Board for general application to other current senior executives; (D) a material breach of this Agreement by the Company (other than a payment default); (E) the Company requires you to work out of an office that is more than 50 miles outside of Mentor, Ohio for more than 30 consecutive days without your written consent; or (F) the shareholders of the Company fail to elect or re-elect you to the Board, or elect to remove you from the STERIS Board other than for Cause; and in each case, you have provided the Company with written notice

within thirty (30) days describing the initial event which you believe constitutes "Good Reason," and the Company has failed to remedy the situation promptly (taking into account the nature of the breach and the actions that must be taken to effect the cure) after receipt of such notice; and

(iii) "Disability" shall have the meaning used for purposes of the Company's long term disability plan as in effect from time to time.

6. **Miscellaneous.** You represent and warrant to STERIS that: (a) the execution, delivery and performance of this agreement by you does not and will not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which you are a party or by which you are bound, (b) you are not a party to or bound by (i) any employment agreement or non-compete/non-solicitation agreement with any other person or entity, or (ii) any confidentiality agreement that would impair your ability to perform your duties under this Agreement with any other person or entity, and (c) upon the execution and delivery of this agreement by you, this agreement will be a valid and binding obligation of you, enforceable in accordance with its terms. STERIS may withhold from any amounts payable under this agreement all federal, state, city or other taxes as STERIS is required to withhold pursuant to any applicable law, regulation or ruling.

Whenever possible, each provision of this agreement shall be interpreted in such manner as to be effective and valid, but if any provision of this agreement is held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this agreement shall be reformed, construed and enforced as if such invalid, illegal or unenforceable provision had never been contained herein. Ohio law shall govern the terms and any interpretation of this Agreement and any dispute hereunder shall be submitted to binding arbitration before three arbitrators in the city of Cleveland, Ohio, pursuant to the rules of the American Arbitration Association.

This agreement embodies the complete agreement and understanding between the parties with respect to the subject matter hereof and effective as of its date supersedes and preempts any prior understandings, agreements or representations by or between the parties, written or oral, which may have related to the subject matter hereof in any way. The provisions of this Agreement may be amended or waived only with the prior written consent of STERIS and you, and no course of conduct or failure or delay in enforcing the provisions of this agreement shall affect the validity, binding effect or enforceability of this agreement. STERIS's obligation under Section 5 to pay severance benefits with respect to your termination of employment that has occurred prior to the termination of this Agreement and STERIS's rights to recoupment under the last paragraph of Section 2, are subject to the terms of the respective Sections and will survive the termination of this Agreement. This agreement may be executed in separate counterparts, each of which shall be deemed to be an original and both of which taken together shall constitute one and the same agreement.

If you find this agreement acceptable, please sign and date the letter on the line indicated below and return this letter along with the other agreements to me. If you need more information in regard to any of the conditions in the above offer, please contact Don Whitehouse, Vice President of Human Resources or Mark McGinley, Senior Vice President, General Counsel. This agreement is subject to the return of the required executed agreements.

Sincerely,

STERIS Corporation

By: /s/ John P. Wareham

John P. Wareham

Chairman of the Board

Acknowledged and Agreed:

By: /s/ Walter M. Rosebrough, Jr.

Walter M. Rosebrough, Jr.

Date: _____

WAIVER AND RELEASE

DO NOT SIGN WITHOUT READING AND UNDERSTANDING

In consideration of the payments to be made to me following termination of my employment with STERIS Corporation pursuant to the employment agreement between STERIS Corporation and me dated September____, 2007 (the "Employment Agreement"), which payments I acknowledge I am not entitled to receive without execution of this Waiver and Release, and which payments will not commence earlier than eight days after the execution of this Waiver and Release, I (the undersigned), for myself, my heirs, administrators, executors, and assigns, release and discharge STERIS, its affiliates, subsidiaries, divisions, successors, and assigns and the employees, officers, directors, and agents thereof (collectively referred to throughout this Waiver and Release as "STERIS") from any and all claims arising out of or relating to my Employment Agreement, my employment with STERIS, and my departure from my employment with STERIS based upon or related to any contention (i) that my employment terminated or ended because of any wrongful, unlawful, or improper reason or in violation or breach of any express or implied contract or agreement, or (ii) that STERIS engaged in any unlawful or discriminatory act, event, pattern, or practice involving age, religion, sex, national origin, ancestry, handicap, veteran status, race, or color, including without limitation, the federal Age Discrimination in Employment Act, 29 U.S.C. §621 et seq., or any similar state law.

I warrant that no promise or inducement has been offered to me other than as set forth in the Employment Agreement, that I am relying on no other statement or representation by STERIS, and that I have not assigned any of my rights. I have read this Waiver and Release; I have had a full opportunity to consider it (including the opportunity to consult with an attorney of my choice); and I understand that by signing it I am giving up important rights, including any right to sue under federal, state, or local law. I also verify that my entering into this Waiver and Release is wholly voluntary.

I further warrant that:

- (a) I understand that I am specifically waiving rights or claims under the federal Age Discrimination in Employment Act, 29 U.S.C. §621 et seq.;
- (b) I understand that I am not hereby waiving any rights or claims that may arise after this Waiver and Release is executed by me;
- (c) I understand that this Waiver and Release is being given by me in exchange for consideration that is more valuable to me than what I am entitled to without the Employment Agreement and the execution of this Waiver and Release;
- (d) I have been advised in writing by STERIS that I should have, at my expense, an attorney of my choice review this Waiver and Release;
- (e) I have been advised by STERIS that I may take up to [twenty-one (21) days **OR** forty-five (45) days **AS STERIS MAY DETERMINE AND PROVIDE**] from receipt of this Waiver and Release to determine whether to execute the same; and
- (f) I have been advised by STERIS that this Waiver and Release may be revoked by me within seven (7) days following execution of this Waiver and Release whereupon this Waiver and Release shall be null and void.

IN WITNESS WHEREOF, I, _____, have hereby set my hand this _____ day of _____, _____.

Witnesses:

Acknowledgment of Receipt of Waiver and Release

I, _____, do hereby acknowledge that on _____, I received a copy of the Waiver and Release which is attached hereto, and I understand that I have [twenty-one (21) days **OR** forty-five (45) days **AS STERIS MAY DETERMINE AND PROVIDE**] from the date of receipt of the Waiver and Release to determine whether to execute it.

Witness: _____

Director of Human Resources
STERIS Corporation
5960 Heisley Road
Mentor, Ohio 44060

Re: *Waiver and Release*

Dear Sir or Madam:

On _____, _____, I executed a Waiver and Release in favor of STERIS. More than seven (7) days have elapsed since I executed the Waiver and Release. I have at no time revoked my acceptance or execution of the Waiver and Release and, accordingly, I hereby request that STERIS commence making the payments due to me under my Change of Control Agreement.

Very truly yours,

EXECUTIVE NAME

TITLE

AGREEMENT

THIS AGREEMENT ("Agreement") is made as of the 7th day of September, 2007, between STERIS Corporation, an Ohio corporation ("STERIS"), and Walter M. Rosebrough, Jr. ("Executive").

STERIS is entering into this Agreement in recognition of the importance of Executive's services to the continuity of management of STERIS and based upon its determination that it will be in the best interests of STERIS to encourage Executive's continued attention and dedication to Executive's duties in the potentially disruptive circumstances of a possible Change of Control of STERIS. (As used in this Agreement, the term "Change of Control" and certain other capitalized terms have the meanings ascribed to them in Section 7, at the end of this Agreement.)

STERIS and Executive agree, effective as of the date first set forth above (the "Effective Date"), as follows:

1. *Basic Severance Benefits*. The benefits described in the subsections of this Section 1 are subject to the limitations set forth in Subsections 4.1 (regarding withholding) and 4.2 (requiring the execution of a waiver and release by Executive).

1.1 *Lump Sum Severance Benefit if Employment is Terminated in Certain Circumstances Within Two Years of a Change of Control*. If, within two years following the occurrence of a Change of Control, Executive's employment with STERIS is terminated by STERIS for any reason other than Cause, Disability, or death or by Executive after a Reduction of Compensation or a Mandatory Relocation has occurred, STERIS shall pay to Executive, within 60 days after the Termination Date, a lump sum severance benefit equal to three times the sum of

- (a) one year's Base Salary (at the highest rate in effect at any time during the one year period ending on the date of the Change of Control), plus
- (b) Executive's Average Annual Incentive Compensation.

1.2 *Lump Sum Severance Benefit if Employment is Terminated by Executive During a Window Period following Good Faith Determination by Executive*. Except as provided in the last sentence of this Subsection 1.2, if Executive's employment with STERIS is terminated by Executive during a Window Period and after Executive has determined in good faith:

- (a) that Executive's position, responsibilities, duties, or status as an executive of STERIS have been at any time after the Change of Control materially changed from those in effect before the Change of Control,
- (b) that Executive's reporting relationships with superior executive officers have been materially changed from those in effect before the Change of Control, or
- (c) that Executive's career prospects have been in any way diminished as a result of the Change of Control,

STERIS shall pay to Executive, within 60 days after the Termination Date, a lump sum severance benefit equal to two times the sum of

- (x) one year's Base Salary (at the highest rate in effect at any time during the one year period ending on the date of the Change of Control), plus
- (y) Executive's Average Annual Incentive Compensation.

This Subsection 1.2 shall not apply if, at the Termination Date, (i) there has been either any Reduction of Base Salary or any Mandatory Relocation (in which event Subsection 1.1 would apply to the termination) or

(ii) STERIS has Cause to terminate Executive's employment (in which case no lump sum severance benefit would be payable under either of Subsections 1.1 or 1.2).

1.3 *Accrued Base Salary and Vacation Pay.* If Executive becomes entitled to payment of a lump sum severance benefit under either of Subsections 1.1 or 1.2 above, STERIS shall, within 10 days after the Termination Date, pay to Executive (a) all Base Salary accrued through the Termination Date but not previously paid and (b) a cash payment equal to the value of any vacation time accrued through the Termination Date but not used by Executive (valued at a rate equal to Executive's Base Salary at the highest rate in effect at any time during the one year period ending on the date of the Change of Control).

1.4 *Special Prior Year SEMICP Payments.* If Executive becomes entitled to payment of a lump sum severance benefit under either of Subsections 1.1 or 1.2 above and the Termination Date occurs on the last day of or after the end of a Fiscal Year but before STERIS makes final *SEMICP* payments with respect to that Fiscal Year, STERIS shall pay to Executive, at the regularly scheduled time for such final *SEMICP* payments (the "Regular Payment Date"), but in any event not later than 60 days after the end of the Fiscal Year, as incentive compensation, the same amount or amounts that STERIS would have paid to Executive as incentive compensation with respect to that Fiscal Year at the Regular Payment Date if Executive's employment had continued through the Regular Payment Date. This Subsection 1.4 is intended to override any provision of the *SEMICP* that would otherwise cause Executive to forfeit any incentive compensation with respect to any Fiscal Year that ends on or before the Termination Date because Executive does not remain in the employ of STERIS through the Regular Payment Date with respect to that Fiscal Year.

1.5 *Special Pro-Rata SEMICP Payment.* If Executive becomes entitled to payment of a lump sum severance benefit under either of Subsections 1.1 or 1.2 above and the Termination Date occurs on other than the last day of a Fiscal Year, in addition to the payment, if any, provided for in Subsection 1.4 above, STERIS shall, within 60 days after the end of the calendar quarter in which the Termination Date occurs, pay to Executive, as additional incentive compensation for the period from the first day of the Fiscal Year in which the Termination Date occurs through the Termination Date (the "Pre-Termination Part Year"), an amount equal to the excess of:

(a) the product of the fraction specified in the last sentence of this Subsection 1.5 and the higher of (i) Executive's Target Annual Incentive Compensation and (ii) the dollar amount of the cumulative award that would have been payable to Executive under the *SEMICP* for that entire Fiscal Year had the level of relevant performance through the end of the Fiscal Year equaled the level of relevant performance through the last calendar quarter, if any, in that Fiscal Year that ended before the Termination Date, over

(b) the amount of incentive compensation previously paid to Executive with respect to that Fiscal Year.

The fraction to be used in calculating the amount to be paid under this Subsection 1.5 shall have a numerator equal to the number of days in the Pre-Termination Part Year and a denominator of 365.

1.6 *Continued Health, Dental, and Life Insurance Coverage.* If Executive becomes entitled to payment of a lump sum severance benefit under Subsection 1.1 above, STERIS shall, during the period from the Termination Date through the third anniversary of the Termination Date, provide Executive with (a) health and dental coverage that is being provided to STERIS executives as of the Termination Date, as such coverage may be changed from time to time, and (b) the same life insurance coverage was being provided to Executive immediately before the Change of Control. If Executive becomes entitled to payment of a lump sum severance benefit under Subsection 1.2 above, STERIS shall, during the period from the Termination Date through the second anniversary of the Termination Date, provide Executive with (c) health and dental coverage that is being provided to STERIS executives as of the Termination Date, as such coverage may be changed from time to time, and (d) the same life insurance coverage that was being provided to Executive immediately before the Change of Control. Coverage and benefits to be provided under this Subsection 1.6 shall be provided to Executive (e) at the cost that would be charged to former employees under Part 6 of Subtitle B of Title I of the Employee Retirement Income Security Act of 1974, as amended ("COBRA"), in the case of health and dental coverage, and (f) at the same cost, if any, to Executive as it was provided to Executive immediately before the Change of Control, in the case of life insurance coverage.

1.7 Notwithstanding the foregoing provisions of this Section 1, if any payment required by Section 1.1, 1.2 or 1.3 would constitute a “deferral of compensation” subject to Section 409A of the Internal Revenue Code of 1986, as amended (“Section 409A”), then to the extent necessary to comply with Section 409A, such payment shall not be made until the first day of the seventh month after Executive’s “separation from service,” as such phrase is defined for purposes of Section 409A.

2. Other Benefits.

2.1 Reimbursement of Certain Expenses After a Change of Control.

(a) From and after a Change of Control, STERIS shall reimburse, as incurred, all expenses of Executive, including the reasonable fees of counsel engaged by Executive, of defending any action brought to have this Agreement declared invalid or unenforceable.

(b) From and after a Change of Control, STERIS shall reimburse, as incurred, all expenses of Executive, including the reasonable fees of counsel engaged by Executive, of prosecuting any action to compel STERIS to comply with the terms of this Agreement upon receipt from Executive of an undertaking to repay STERIS for such expenses if, and only if, it is ultimately determined by a court of competent jurisdiction that Executive had no reasonable grounds for bringing that action (which determination need not be made simply because Executive fails to succeed in the action).

(c) From and after a Change of Control, expenses (including attorney’s fees) incurred by Executive in defending any action, suit, or proceeding commenced or threatened (whether before or after the Change of Control) against Executive for any action or failure to act as an employee, officer, or director of STERIS or any Subsidiary shall be paid by STERIS, as they are incurred, in advance of final disposition of the action, suit, or proceeding upon receipt of an undertaking by or on behalf of Executive in which Executive agrees to reasonably cooperate with STERIS or the Subsidiary, as the case may be, concerning the action, suit, or proceeding, and (i) if the action, suit, or proceeding is commenced or threatened against Executive for any action or failure to act as a director, to repay the amount if it is proved by clear and convincing evidence in a court of competent jurisdiction that Executive’s action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to STERIS or a Subsidiary or undertaken with reckless disregard for the best interests of STERIS or a Subsidiary, or (ii) if the action, suit, or proceeding is commenced or threatened against Executive for any action or failure to act as an officer or employee, to repay the amount if it is ultimately determined that Executive is not entitled to be indemnified.

(d) Any reimbursement under Section 2.1(a) or 2.1(b) shall be for expenses incurred by Executive during his lifetime and such reimbursement shall be made no later than the last day of the calendar year following the calendar year in which Executive incurs the expense. In no event will the amount of expenses so reimbursed by STERIS in one year affect the amount of expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year. In no event will STERIS reimburse any expense under Section 2.1(a) or 2.1(b) any earlier than the first day of the seventh month following Executive’s Termination Date.

2.2 *Indemnification.* From and after a Change of Control, STERIS shall indemnify Executive, to the full extent permitted or authorized by the Ohio General Corporation Law as it may from time to time be amended, if Executive is (whether before or after the Change of Control) made or threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of the fact that Executive is or was a director, officer, or employee of STERIS or any Subsidiary, or is or was serving at the request of STERIS or any Subsidiary as a director, trustee, officer, or employee of a corporation, partnership, joint venture, trust, or other enterprise. The indemnification provided by this Subsection 2.2 shall not be deemed exclusive of any other rights to which Executive may be entitled under the articles of incorporation or the regulations of STERIS or of any Subsidiary, or any agreement, vote of shareholders or disinterested directors, or otherwise, both as to action in Executive’s official capacity and as to action in another capacity while holding such office, and shall continue as to Executive after Executive has

ceased to be a director, trustee, officer, or employee and shall inure to the benefit of the heirs, executors, and administrators of Executive.

2.3 Disability. If, after a Change of Control and prior to the Termination Date, Executive is unable to perform services for STERIS for any period by reason of disability, STERIS will pay and provide to Executive all compensation, health and dental coverage and life insurance coverage to which Executive would have been entitled had Executive continued to be actively employed by STERIS through the earliest of the following dates: (a) the first date on which Executive is no longer so disabled to such an extent that Executive is unable to perform services for STERIS, (b) the date on which Executive becomes eligible for payment of long term disability benefits under a long term disability plan generally applicable to executives of STERIS, (c) the date on which STERIS has paid and provided 24 months of compensation and benefits to Executive during Executive's disability, or (d) the date of Executive's death. Executive shall pay the same cost for health and dental coverage and life insurance coverage under this Section 2.3 as is required under Section 1.6. For purposes of this Section 2.3, Executive will be considered to be unable to perform services for STERIS by reason of disability only if (a) Executive is unable to engage in any substantial gainful activity by reason of medical or mental impairment that can be expected to result in death or last for at least 12 months, or (b) Executive is, by reason of medical or mental impairment that can be expected to result in death or last for at least 12 months, receiving payments under a long term disability plan sponsored by STERIS for a period of not less than three months.

2.4 Gross-Up of Payments Deemed to be Excess Parachute Payments.

(a) STERIS and Executive acknowledge that, following a Change of Control, one or more payments or distributions to be made by STERIS to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement, under some other plan, agreement, or arrangement, or otherwise, and including, without limitation, any income recognized by Executive upon exercise of an option granted by STERIS to acquire Common Shares issued by STERIS) (a "Payment") may be determined to be an "excess parachute payment" that is not deductible by STERIS for federal income tax purposes and with respect to which Executive will be subject to an excise tax because of Sections 280G and 4999, respectively, of the Internal Revenue Code (hereinafter referred to respectively as "Section 280G" and "Section 4999"). If Executive's employment is terminated after a Change of Control occurs, the Accounting Firm, which, subject to any inconsistent position asserted by the Internal Revenue Service, shall make all determinations required to be made under this Subsection 2.4, shall determine whether any Payment would be an excess parachute payment and shall communicate its determination, together with detailed supporting calculations, to STERIS and to Executive within 30 days after the Termination Date or such earlier time as is requested by STERIS. STERIS and Executive shall cooperate with each other and the Accounting Firm and shall provide necessary information so that the Accounting Firm may make all such determinations. STERIS shall pay all of the fees of the Accounting Firm for services performed by the Accounting Firm as contemplated in this Subsection 2.4.

(b) If the Accounting Firm determines that any Payment gives rise, directly or indirectly, to liability on the part of Executive for excise tax under Section 4999 (and/or any penalties and/or interest with respect to any such excise tax), STERIS shall make additional cash payments to Executive, in such amounts as are necessary to put Executive in the same position, after Executive's payment of all federal, state, and local taxes (whether income taxes, excise taxes under Section 4999, or otherwise, or other taxes) and any and all penalties and interest with respect to any such excise tax, as Executive would have been in after payment of all federal, state, and local income taxes if the Payments had not given rise to an excise tax under Section 4999 and no such penalties or interest had been imposed.

(c) If the Internal Revenue Service determines that any Payment gives rise, directly or indirectly, to liability on the part of Executive for excise tax under Section 4999 (and/or any penalties and/or interest with respect to any such excise tax) in excess of the amount, if any, previously determined by the Accounting Firm, STERIS shall make further additional cash payments to Executive in such amounts as are necessary to put Executive in the same position, after Executive's payment of all federal, state, and local taxes (whether income taxes, excise taxes under Section 4999, or otherwise, or other taxes) and any and all penalties and interest with respect to any such excise tax, as Executive would have been in after payment of all federal,

state, and local income taxes if the Payments had not given rise to an excise tax under Section 4999 and no such penalties or interest had been imposed.

(d) If STERIS desires to contest any determination by the Internal Revenue Service with respect to the amount of excise tax under Section 4999, Executive shall, upon receipt from STERIS of an unconditional written undertaking to indemnify and hold Executive harmless (on an after tax basis) from any and all adverse consequences that might arise from the contesting of that determination, cooperate with STERIS in that contest at STERIS's sole expense. Nothing in this Paragraph (d) shall require Executive to incur any expense other than expenses with respect to which STERIS has paid to Executive sufficient sums so that after the payment of the expense by Executive and taking into account the payment by STERIS with respect to that expense and any and all taxes that may be imposed upon Executive as a result of Executive's receipt of that payment, the net effect is no cost to Executive. Nothing in this Paragraph (d) shall require Executive to extend the statute of limitations with respect to any item or issue in Executive's tax returns other than, exclusively, the excise tax under Section 4999. If, as the result of the contest of any assertion by the Internal Revenue Service with respect to excise tax under Section 4999, Executive receives a refund of a Section 4999 excise tax previously paid and/or any interest with respect thereto, Executive shall promptly pay to STERIS such amount as will leave Executive, net of the repayment and all tax effects, in the same position, after all taxes and interest, that he would have been in if the refunded excise tax had never been paid.

(e) Notwithstanding any other provision of this Section 2.4 to the contrary, all taxes described in this Section 2.4 shall be paid or reimbursed no earlier than the first day of the seventh month following the Termination Date and no later than the end of the year following the year in which the applicable taxes are remitted. Any expenses, including interest and penalties assessed on the taxes described in this Section 2.4, incurred by the Executive shall be reimbursed promptly after the Executive submits evidence of the incurrence of such expenses, which reimbursement in no event will be earlier than the first day of the seventh month following the Termination Date and no later than the end of the year following the year in which the Executive incurs the expense. Any expense reimbursed by STERIS in one taxable year in no event will affect the amount of expenses required to be reimbursed by STERIS in any other taxable year

3. *No Set-Off; No Obligation to Seek Other Employment or to Otherwise Mitigate Damages; No Effect Upon Other Plans.* STERIS's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense, or other claim whatsoever that STERIS or any of its Subsidiaries may have against Executive. Executive shall not be required to mitigate damages or the amount of any payment provided for under this Agreement by seeking other employment or otherwise. Except as provided in the last sentence of this Section 3, neither the amount of any payment provided for under this Agreement nor Executive's right to any other benefit under this Agreement shall be reduced by any compensation or benefits earned by Executive as the result of employment by another employer or otherwise after the termination of Executive's employment. Neither the provisions of this Agreement, nor the execution of the waiver and release referred to in Subsection 4.2 below, nor the making of any payment provided for hereunder shall reduce any amounts otherwise payable, or in any way diminish Executive's rights, under any incentive compensation plan, stock option plan, retirement plan, disability or insurance plan, or other similar contract, plan, or arrangement of STERIS, except that the payment of a pro-rata incentive compensation benefit under Subsection 1.5 shall satisfy, to the extent of that payment, any obligation STERIS might have to Executive for payments under the SEMICP for the year in which the Termination Date occurs. STERIS's obligation to provide continuing health, dental, and/or life insurance coverage and benefits, as the case may be, shall be discontinued before the time otherwise specified in Subsection 1.6 if, as, and when Executive becomes eligible to receive roughly comparable health, dental, and/or life insurance coverage and benefits, as the case may be, from a subsequent employer.

4. *Certain Limitations on Benefits.*

4.1 *Taxes; Withholding of Taxes.* Without limiting either the right of STERIS to withhold taxes pursuant to this Subsection 4.1 or the obligation of STERIS to make gross-up payments pursuant to Subsection 2.4, Executive shall be responsible for all income, excise, and other taxes (federal, state, city, or other) imposed

on or incurred by Executive as a result of receiving the payments provided in this Agreement, including, without limitation, the payments provided under Section 1 of this Agreement. STERIS may withhold from any amounts payable under this Agreement all federal, state, city, or other taxes as STERIS shall determine to be required pursuant to any law or government regulation or ruling.

4.2 *Waiver and Release.* STERIS shall not be obligated to pay any amounts otherwise due under Section 1 of this Agreement unless, on or before the sixtieth (60th) day following Executive's termination of employment (a) Executive executes a waiver and release in the form attached to this Agreement as Exhibit A, with blanks appropriately filled and, in the case of clause (e) contained therein, completed with the number of days that STERIS determines is required under applicable law, but in no event more than 45 days, and (b) the waiting periods, if any, before and after execution of the waiver and release by Executive as are required by law, have expired, provided that STERIS delivers to Executive such a waiver and release, appropriately completed, within seven days of the Termination Date.

5. *Term of this Agreement.* This Agreement shall be effective as of the Effective Date and shall thereafter apply to any Change of Control occurring on or before March 31, 2008. Unless this Agreement is terminated earlier pursuant to Subsection 5.1, on March 31, 2008 and on March 31 of each succeeding year thereafter (a "Renewal Date"), the term of this Agreement shall be automatically extended for an additional year unless either party has given notice to the other, at least one year in advance of that Renewal Date, that the Agreement shall not apply to any Change of Control occurring after that Renewal Date.

5.1 *Termination of Agreement Upon Termination of Employment Before a Change of Control.* This Agreement shall automatically terminate and cease to be of any further effect on the first date occurring before a Change of Control on which Executive is no longer employed by STERIS, except that, for purposes of this Agreement, any termination of employment of Executive that is effected both (a) during the one year period ending on the date of a Change of Control and (b) in contemplation of a Change of Control shall be deemed to be a termination of Executive's employment as of immediately after that Change of Control becomes irrevocable (as provided in Subsection 7.4) and Executive shall be entitled to payments and benefits under this Agreement as if Executive's employment had continued through the day after the Change of Control became irrevocable and had then been terminated.

5.2 *Amendment or Termination of Agreement Upon Demotion Before a Change of Control.* STERIS has entered into agreements that are similar to this Agreement (which provide for different levels of benefits) with a number of other STERIS executives. Except as otherwise provided in the last sentence of this Section 5.2, if the Board of Directors of STERIS (the "Board") notifies Executive before the occurrence of a Change of Control that Executive has been demoted to a lower position within STERIS and that, by reason of that demotion, Executive is no longer entitled to the level of protection intended to be provided by this Agreement, this Agreement shall be amended or terminated, as the Board may specify in its notice to Executive. If the Board notifies Executive that this Agreement is to be amended, the following amendments shall be deemed made effective as of the date of the notice to Executive:

(a) The phrase "a lump sum severance benefit equal to two times the sum of" shall be substituted for the phrase "a lump sum severance benefit equal to three times the sum of" where the latter phrase appears in Section 1.1;

(b) The phrase "a lump sum severance benefit equal to the sum of" shall be substituted for the phrase "a lump sum severance benefit equal to two times the sum of" where the latter phrase appears in Section 1.2;

(c) The phrase "through the second anniversary of the Termination Date" shall be substituted for the phrase "through the third anniversary of the Termination Date" where the latter phrase appears in Section 1.6; and

(d) The phrase "through the first anniversary of the Termination Date" shall be substituted for the phrase "through the second anniversary of the Termination Date" where the latter phrase appears in Section 1.6.

If the Board notifies Executive that this Agreement is to be terminated, the termination shall be effective as of the date of the notice to Executive. Notwithstanding the foregoing provisions of this Section 5.2, for purposes of this Agreement, any such demotion of Executive that is effected both (x) during the one year period ending on the date of a Change of Control and (y) in contemplation of a Change of Control shall be disregarded and Executive shall be entitled to payments and benefits under this Agreement after the Change of Control to the same extent, if any, and on the same terms as if Executive had not been demoted and no such notice of amendment or termination of this Agreement had been given.

5.3 *No Termination of Agreement During Two Year Period Beginning on Date of a Change of Control.* After a Change of Control, this Agreement may not be terminated. However, if Executive's employment with STERIS continues for more than two years following the occurrence of a Change of Control, then, for all purposes of this Agreement other than Subsections 2.1 and 2.2, that particular Change of Control shall thereafter be treated as if it never occurred.

6. *Miscellaneous.*

6.1 *Successor to STERIS.* STERIS shall not consolidate with or merge into any other corporation, or transfer all or substantially all of its assets to another corporation or other entity, unless such other corporation or other entity shall assume this Agreement in a signed writing and deliver a copy thereof to Executive. Upon such assumption the successor corporation or other entity shall become obligated to perform the obligations of STERIS under this Agreement and the term "STERIS" as used in this Agreement shall be deemed to refer to such successor corporation or other entity.

6.2 *Notices.* For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given (a) when delivered in person (to Executive in the case of notices to Executive and to the Secretary of STERIS in the case of notices to STERIS) or (b) on the date actually received when sent by United States registered mail, return receipt requested, postage prepaid, and addressed, in the case of notices to STERIS, as follows:

STERIS Corporation
5960 Heisley Road
Mentor, Ohio 44060
Attention: Secretary

and, in the case of notices to Executive, properly addressed to Executive at Executive's most recent home address as shown on the records of STERIS, or such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

6.3 *Employment Rights.* Nothing expressed or implied in this Agreement shall create any right or duty on the part of STERIS or Executive to have Executive continue as an officer of STERIS or to remain in the employment of STERIS.

6.4 *Administration.* STERIS shall be responsible for the general administration of this Agreement and for making payments under this Agreement. All fees and expenses billed by the Accounting Firm for services contemplated under this Agreement shall be the responsibility of STERIS.

6.5 *Source of Payments.* All payments under this Agreement shall be made solely from the general assets of STERIS (or from a grantor trust, if any, established by STERIS for purposes of making payments under this Agreement and other similar agreements), and Executive shall have the rights of an unsecured general creditor of STERIS with respect thereto.

6.6 *Validity.* The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement which shall remain in full force and effect.

6.7 *Modification, Waiver, Etc.* No provision of this Agreement may be modified, waived, or discharged unless such waiver, modification, or discharge is agreed to in a writing signed by Executive and STERIS. No

waiver by either party hereto at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same time or at any prior or subsequent time. No agreement or representation, oral or otherwise, express or implied, with respect to the subject matter hereof has been made by either party that is not set forth expressly in this Agreement. This Agreement shall inure to the benefit of and be enforceable by Executive's personal representatives, executors, administrators, successors, heirs, and designees. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

7. Definitions.

7.1 *Accounting Firm*. The term "Accounting Firm" means the independent auditors of STERIS for the Fiscal Year preceding the year in which the Change of Control occurred and such firm's successor or successors; provided, however, if such firm is unable or unwilling to serve and perform in the capacity contemplated by this Agreement, STERIS shall select another national accounting firm of recognized standing to serve and perform in that capacity under this Agreement, except that such other accounting firm shall not be the then independent auditors for STERIS or any of its affiliates (as defined in Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as amended).

7.2 *Base Salary*. The term "Base Salary" means the salary payable to Executive from time to time before any reduction for voluntary contributions to any 401(k) plan or any other voluntary deferral. Base Salary does not include imputed income from any payment by STERIS of any non-cash benefits.

7.3 *Cause*. The employment of Executive by STERIS or any of its Subsidiaries shall have been terminated for "Cause" if the Executive's employment is terminated and, prior to that termination of employment, any of the following has occurred:

(a) Executive shall have been convicted of a felony,

(b) Executive commits an act or series of acts of dishonesty in the course of Executive's employment which are materially inimical to the best interests of STERIS, all as determined in good faith by the vote of three fourths of all of the members of the Board of Directors of STERIS (other than Executive, if Executive is a Director of STERIS),

(c) after being notified in writing by the Board of Directors of STERIS of the failure and having been given at least 30 days in which to cure the failure, Executive continues to unreasonably neglect Executive's duties and responsibilities as an executive of STERIS,

(d) after being notified in writing by the Board of Directors of STERIS to cease any particular Competitive Activity, Executive intentionally continues to engage in that Competitive Activity while Executive remains in the employ of STERIS.

7.4 *Change of Control*. A "Change of Control" shall be deemed to have occurred if at any time or from time to time while this Agreement is in effect:

(a) Any person (other than STERIS, any of its Subsidiaries, any employee benefit plan or employee stock ownership plan of STERIS, or any person organized, appointed, or established by STERIS for or pursuant to the terms of any such plan), alone or together with any of its affiliates, becomes the beneficial owner of 15% or more (but less than 50%) of the Common Shares then outstanding;

(b) Any person (other than STERIS, any of its Subsidiaries, any employee benefit plan or employee stock ownership plan of STERIS, or any person organized, appointed, or established by STERIS for or pursuant to the terms of any such plan), alone or together with any of its affiliates, becomes the beneficial owner of 50% or more of the Common Shares then outstanding;

(c) Any person commences or publicly announces an intention to commence a tender offer or exchange offer the consummation of which would result in the person becoming the beneficial owner of 15% or more of the Common Shares then outstanding;

(d) At any time during any period of 24 consecutive months, individuals who were directors at the beginning of the 24-month period no longer constitute a majority of the members of the Board of Directors

of STERIS, unless the election, or the nomination for election by STERIS's shareholders, of each director who was not a director at the beginning of the period is approved by at least a majority of the directors who (i) are in office at the time of the election or nomination and (ii) were directors at the beginning of the period;

(e) A record date is established for determining shareholders entitled to vote upon (i) a merger or consolidation of STERIS with another corporation in which those persons who are shareholders of STERIS immediately before the merger or consolidation are to receive or retain less than 60% of the stock of the surviving or continuing corporation, (ii) a sale or other disposition of all or substantially all of the assets of STERIS, or (iii) the dissolution of STERIS;

(f) (i) STERIS is merged or consolidated with another corporation and those persons who were shareholders of STERIS immediately before the merger or consolidation receive or retain less than 60% of the stock of the surviving or continuing corporation, (ii) there occurs a sale or other disposition of all or substantially all of the assets of STERIS, or (iii) STERIS is dissolved; or

(g) Any person who proposes to make a "control share acquisition" of STERIS, within the meaning of Section 1701.01(Z) of the Ohio General Corporation Law, submits or is required to submit an acquiring person statement to STERIS.

Notwithstanding anything herein to the contrary, if an event described in clause (b), clause (d), or clause (f) above occurs, the occurrence of that event will constitute an irrevocable Change of Control. Furthermore, notwithstanding anything herein to the contrary, if an event described in clause (c) occurs, and the Board of Directors either approves such offer or takes no action with respect to such offer, then the occurrence of that event will constitute an irrevocable Change of Control. On the other hand, notwithstanding anything herein to the contrary, if an event described in clause (a), clause (e), or clause (g) above occurs, or if an event described in clause (c) occurs and the Board of Directors does not either approve such offer or take no action with respect to such offer as described in the preceding sentence, and a majority of those members of the Board of Directors who were Directors prior to such event determine, within the 90-day period beginning on the date such event occurs, that the event should not be treated as a Change of Control, then, from and after the date that determination is made, that event will be treated as not having occurred. If no such determination is made, a Change of Control resulting from any of the events described in the immediately preceding sentence will constitute an irrevocable Change of Control on the 91st day after the occurrence of the event.

7.5 Competitive Activity. Executive shall be deemed to have engaged in "Competitive Activity" if Executive engages, directly or indirectly and whether as a director, officer, employee, agent, or independent contractor, in any business or business activity in which STERIS or any of its Subsidiaries engages (other than as a director, officer, or employee of STERIS or any of its Subsidiaries).

7.6 Disability. For purposes of this Agreement, Executive's employment will have been terminated by STERIS by reason of "Disability" of Executive only if (a) as a result of bodily injury or sickness, Executive has been unable to perform Executive's normal duties for STERIS for a period of 180 consecutive days, and (b) Executive begins to receive payments under a long term disability plan sponsored by STERIS not later than 30 days after the Termination Date.

7.7 Executive's Average Annual Incentive Compensation. Subject to the last four sentences of this Subsection 7.7, the term "Executive's Average Annual Incentive Compensation" means the highest of:

(a) the average of the dollar amounts of incentive compensation paid or payable to Executive under the SEMICP for each of the two Fiscal Years most recently ended before the first Change of Control occurring after execution of this Agreement,

(b) the average of the dollar amounts of incentive compensation paid or payable to Executive under the SEMICP for each of the two Fiscal Years most recently ended before the Termination Date, and

(c) the average dollar amount obtained by adding together (i) the amount of incentive compensation paid or payable to Executive under the SEMICP for the Fiscal Year most recently ended before the

Termination Date and (ii) Executive's Target Annual Incentive Compensation and dividing the sum so obtained by two.

If Executive was not a participant in the SEMICP for any one or more of the Fiscal Years referred to in this Subsection 7.7, the reference to that year shall be ignored in determining the average under clause (a), (b), and/or (c) above, as the case may be, and the "average," if any, determined under that clause shall be the dollar amount of incentive compensation paid or payable to Executive under the SEMICP for the other Fiscal Year referred to in that clause (or, in the case of clause (c), the dollar amount of Executive's Target Annual Incentive Compensation). Thus, for example, if Executive was not a participant in the SEMICP for the second year preceding a Change of Control but was a participant in the SEMICP for the year immediately preceding a Change of Control, the average determined under clause (a) would be equal to the amount of incentive compensation paid or payable to Executive under the SEMICP for the single year immediately preceding the Change of Control. If Executive was a participant in the SEMICP for only a part of one or more Fiscal Years referred to in this Subsection 7.7, the dollar amount of incentive compensation paid or payable to Executive under the SEMICP for that year, for purposes of determining the averages referred to in clauses (a), (b), and/or (c), as the case may be, shall be annualized. Thus, for example, if Executive was a participant in the SEMICP for only three months of a particular Fiscal Year and was paid incentive compensation under the SEMICP for that period equal to \$3X, the annualized amount of \$12X would be used in determining the averages referred to in clauses (a), (b), and/or (c), as the case may be.

7.8 Executive's Target Annual Incentive Compensation. The term "Executive's Target Annual Incentive Compensation" means the higher of (a) the dollar amount that would have been payable to Executive under the SEMICP for the Fiscal Year in which the Termination Date occurs had all relevant levels of performance (whether corporate, personal, or other) been exactly at target levels and had Executive remained in the employ of STERIS through the date on which incentive compensation for that Fiscal Year was paid in full, or (b) the dollar amount that would have been payable to Executive under the SEMICP for the last Fiscal Year that ended before the occurrence of a Change of Control had all relevant levels of performance for that Fiscal Year been exactly at target levels.

7.9 Fiscal Year. The term "Fiscal Year" means STERIS's fiscal year as in effect from time to time.

7.10 Mandatory Relocation. A "Mandatory Relocation" shall have occurred if, at any time after a Change of Control, Executive is notified that Executive's principal place of employment for STERIS is to be relocated, without Executive's written consent, more than 50 miles from where Executive's principal place of employment was located immediately before the Change of Control.

7.11 SEMICP. The term "SEMICP" means STERIS's Management Incentive Compensation Plan as in effect for STERIS's Fiscal Year 2006 and any later year and any similar plan that may be implemented in place of the plan from time to time thereafter.

7.12 Reduction of Compensation. A "Reduction of Compensation" shall have occurred if either or both of the following occur at any time after a Change of Control:

(a) Executive's Base Salary is reduced or

(b) either

(i) the SEMICP, and/or Executive's level of participation in the SEMICP, is altered for any year in such a way as to reduce Executive's opportunity to earn incentive compensation under the SEMICP for that year below the level of that opportunity as it existed immediately before the Change of Control, or

(ii) the amount of incentive compensation paid to Executive for any period after the Change of Control is below Executive's Target Annual Incentive Compensation.

7.13 Subsidiary. A "Subsidiary" means any corporation, partnership, or other entity a majority of the voting control of which is directly or indirectly owned or controlled at the time in question by STERIS.

7.14 *Termination Date*. The term "Termination Date" means the later of the date on which Executive's employment with STERIS terminates or the date on which Executive is determined to have a "separation from service," as such phrase is defined for purposes of Section 409A, with respect to STERIS.

7.15 *Window Period*. The term "Window Period" with respect to any particular Change of Control, means the three-month period beginning on the day after the first anniversary of the Change of Control. For example, if a Change of Control occurred on August 13, 2008, the Window Period with respect to that Change of Control would begin on August 14, 2009 and end on November 13, 2009. If at any time there has been more than one Change of Control, there shall be a separate Window Period with respect to each such Change of Control.

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

STERIS Corporation

By: /s/ John P. Wareham

John P. Wareham

Chairman of the Board

"EXECUTIVE"

/s/ Walter M. Rosebrough, Jr.

Walter M. Rosebrough, Jr.

WAIVER AND RELEASE

DO NOT SIGN WITHOUT READING AND UNDERSTANDING

In consideration of the payments to be made to me following termination of my employment with STERIS Corporation pursuant to the agreement between STERIS Corporation and me dated September 7, 2007 (the "Change of Control Agreement"), which payments I acknowledge I am not entitled to receive without execution of this Waiver and Release, and which payments will not commence earlier than eight days after the execution of this Waiver and Release, I, Walter M. Rosebrough, Jr., for myself, my heirs, administrators, executors, and assigns, release and discharge STERIS, its affiliates, subsidiaries, divisions, successors, and assigns and the employees, officers, directors, and agents thereof (collectively referred to throughout this Waiver and Release as "STERIS") from any and all claims arising out of or relating to my employment with STERIS and my departure from my employment with STERIS based upon or related to any contention (i) that my employment terminated or ended because of any wrongful, unlawful, or improper reason or in violation or breach of any express or implied contract or agreement, or (ii) that STERIS engaged in any unlawful or discriminatory act, event, pattern, or practice involving age, religion, sex, national origin, ancestry, handicap, veteran status, race, or color, including without limitation, the federal Age Discrimination in Employment Act, 29 U.S.C. §621 et seq., or any similar state law.

I warrant that no promise or inducement has been offered to me other than as set forth in the Change of Control Agreement, that I am relying on no other statement or representation by STERIS, and that I have not assigned any of my rights. I have read this Waiver and Release; I have had a full opportunity to consider it (including the opportunity to consult with an attorney of my choice); and I understand that by signing it I am giving up important rights, including any right to sue under federal, state, or local law. I also verify that my entering into this Waiver and Release is wholly voluntary.

I further warrant that:

- (a) I understand that I am specifically waiving rights or claims under the federal Age Discrimination in Employment Act, 29 U.S.C. §621 et seq.;
- (b) I understand that I am not hereby waiving any rights or claims that may arise after this Waiver and Release is executed by me;
- (c) I understand that this Waiver and Release is being given by me in exchange for consideration that is more valuable to me than what I am entitled to without the Change of Control Agreement and the execution of this Waiver and Release;
- (d) I have been advised in writing by STERIS that I should have, at my expense, an attorney of my choice review this Waiver and Release;
- (e) I have been advised by STERIS that I may take up to [twenty-one (21) days **OR** forty-five (45) days **AS STERIS MAY DETERMINE AND PROVIDE**] from receipt of this Waiver and Release to determine whether to execute the same; and
- (f) I have been advised by STERIS that this Waiver and Release may be revoked by me within seven (7) days following execution of this Waiver and Release whereupon this Waiver and Release shall be null and void.

IN WITNESS WHEREOF, I, _____, have hereby set my hand this ____ day of _____, _____.

Witnesses: _____

Acknowledgment of Receipt of Waiver and Release

I, _____, do hereby acknowledge that on _____, I received a copy of the Waiver and Release which is attached hereto, and I understand that I have [twenty-one (21) days **OR** forty-five (45) days **AS STERIS MAY DETERMINE AND PROVIDE**] from the date of receipt of the Waiver and Release to determine whether to execute it.

Witness: _____

Director of Human Resources
STERIS Corporation
5960 Heisley Road
Mentor, Ohio 44060

Re: *Waiver and Release*

Dear Sir or Madam:

On _____, _____, I executed a Waiver and Release in favor of STERIS. More than seven (7) days have elapsed since I executed the Waiver and Release. I have at no time revoked my acceptance or execution of the Waiver and Release and, accordingly, I hereby request that STERIS commence making the payments due to me under my Change of Control Agreement.

Very truly yours,

EXECUTIVE NAME

TITLE

STERIS CORPORATION
RESTRICTED STOCK UNIT AGREEMENT

WHEREAS, (the "Grantee"), as an employee of STERIS Corporation, an Ohio corporation ("STERIS"), or a STERIS Subsidiary; has been approved for the grant of Restricted Share Units by the STERIS Board of Directors;

NOW, THEREFORE, pursuant to the STERIS Corporation 2006 Long-Term Equity Incentive Plan, as amended (the "Plan"), STERIS hereby grants to the Grantee Restricted Stock Units (as defined in the Plan) (the "Units"), effective as of (the "Date of Grant"). The value assigned to the Units will be the closing price of STERIS common stock on the New York Stock Exchange on the Date of Grant, subject to the terms and conditions of the Plan, **[such other agreement, if applicable]** and the following additional terms, conditions, limitations and restrictions.

1. **Issuance of Units.** The Units represent the right of the Grantee to receive from the Company the number of Common Shares equal to the number of Units granted hereby, if and when the Units become nonforfeitable as provided herein.
2. **Documents Delivered with Agreement.** STERIS has delivered to the Grantee, along with two copies of this Agreement, the following documents: (a) a copy of STERIS's Policy Prohibiting the Improper Use of Material Non-Public Information (the "Policy"); (b) a copy of the Plan and its related Prospectus; (c) two execution copies of a Nondisclosure and Noncompetition Agreement to be entered into between STERIS and Grantee (the "Nondisclosure Agreement"); (d) two copies of an acknowledgement form (the "Acknowledgement Form"); and (d) a copy of STERIS's most recent integrated Annual Report to Shareholders and Form 10-K (the "Annual Report"). By executing this Agreement, the Grantee acknowledges receipt of these documents.
3. **Vesting of Units.** Subject to the terms of this Agreement and the Plan, the Units and the Grantee's right to receive the Common Shares subject to the Units shall become non-forfeitable:

(a) on the following schedule if the Grantee shall have remained in the continuous employment of STERIS and/or a STERIS Subsidiary until the date indicated below:

*If the Grantee remains continuously employed
with STERIS until:*

*The following number of Units
shall become non-forfeitable:*

[AS DETERMINED FROM TIME TO TIME]

and (b) on a prorated basis in the event of Grantee's death or Disability (as defined below) on or after , 20 , if the Grantee shall have remained in the continuous employment of STERIS during the period preceding his death or Disability.

4. **Forfeiture of Units.** Subject to the terms of this Agreement and the Plan, if the Grantee ceases to be employed by STERIS or a STERIS Subsidiary prior to , 20 , the number of Units that have not become non-forfeitable immediately following such termination of employment (after giving effect to Section 3 in the event of Grantee's death or Disability) shall be forfeited.
5. **Payment of Units.** The Company shall transfer to the Grantee (or to Grantee's executor or administrator in the event the Units become nonforfeitable by reason of the Grantee's death) the Common Shares subject to the Units when the Units become nonforfeitable, provided that if the Grantee is a "specified employee" (within the meaning of Section 409A of the Internal Revenue Code) at the time that the Units become

nonforfeitable, the transfer of the Common Shares shall be delayed for six months if such delay is necessary to avoid the imposition of increased tax under Section 409A(a)(1)(B)(i) of the Internal Revenue Code.

6. **Compliance with Law.** STERIS shall make reasonable efforts to comply with all applicable federal and state securities laws, including, without limitation, using its best efforts to maintain the effectiveness of a registration statement under the Securities Act of 1933 covering the Common Shares to be issued pursuant to the Units; *provided, however,* notwithstanding any other provision of this Agreement, STERIS shall not be obligated to issue any Common Shares pursuant to this Agreement if the issuance thereof would result in a violation of any such law. If the Company is unable to issue the Common Shares as described in the preceding sentence, the parties agree to use their best efforts to negotiate an alternative arrangement.
7. **Continuous Employment.** For purposes of this Agreement, the continuous employment of the Grantee with STERIS or a STERIS Subsidiary shall not be deemed to have been interrupted, and the Grantee shall not be deemed to have ceased to be an employee of STERIS or STERIS Subsidiary, by reason of (i) the transfer of his or her employment among STERIS and its Subsidiaries or (ii) a leave of absence approved by the Board or the Committee.
8. **Certain Determinations.** Application, violation, or other interpretation of the terms of this Agreement, the Plan, the Nondisclosure Agreement, the Policy, or any STERIS policy shall be determined by the Board, in its sole discretion, and its determination shall be final and binding on the Grantee and STERIS.
9. **Termination of the Plan; No Right to Future Grants; No Right of Employment; Extraordinary Item of Compensation.** By entering into this Agreement, the Grantee acknowledges: (a) that the Plan is discretionary in nature and may be suspended or terminated by STERIS at any time; (b) that each grant of Units is a one-time benefit which does not create any contractual or other right to receive future grants of Units, or benefits in lieu of Units; (c) that all determinations with respect to any such future grants, including, but not limited to, the times when the Units shall be granted, the number of shares subject to each grant of Units, and the time or times when the Units shall become nonforfeitable, will be at the sole discretion of STERIS; (d) that the Grantee's participation in the Plan shall not create a right to further employment with the Grantee's employer and shall not interfere with the ability of the Grantee's employer to terminate the Grantee's employment relationship at any time with or without cause; (e) that the Grantee's participation in the Plan is voluntary; (f) that the value of the Units is an extraordinary item of compensation; (g) that the Units are not part of normal and expected compensation for purposes of any other employee benefit plan or program of STERIS, including for purposes of calculating any severance, resignation, redundancy, end of service, bonus, long-service, pension or retirement benefits or similar payments; (h) that the right to earn a nonforfeitable right to the Units ceases upon termination of employment for any reason except as may otherwise be explicitly provided in the Plan or this Agreement; (i) that the future value of the shares is unknown and cannot be predicted with certainty; and (j) that, where the Grantee's employer is a STERIS Subsidiary or affiliate of STERIS, the Units have been granted to the Grantee in the Grantee's status as an employee of such Subsidiary or affiliate, and can in no event be understood or interpreted to mean that STERIS is the Grantee's employer or that the Grantee has an employment relationship with STERIS.
10. **Employee Data Privacy.** By entering into the Agreement, and as a condition of this award of Units, the Grantee consents to the collection, use and transfer of personal data as described in this Section 10. The Grantee understands that STERIS and its Subsidiaries hold certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, date of birth, social insurance number, salary, nationality, job title, any shares of stock or directorships held in STERIS, details of all Units or other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in the Grantee's favor, for the purpose of managing and administering the Plan ("Data"). The Grantee further understands that STERIS and/or its Subsidiaries will transfer Data among themselves as necessary for the purposes of implementation, administration and management of the Grantee's participation in the Plan, and that STERIS and/or its Subsidiaries may each further transfer Data to any third parties assisting STERIS in the implementation, administration and management of the Plan ("Data

Recipients”). The Grantee understands that these Data Recipients may be located in the Grantee’s country of residence, the European Economic Area, and in countries outside the European Economic Area, including the United States. The Grantee authorizes the Data Recipients to receive, possess, use, retain and transfer Data in electronic or other form, for the purposes of implementing, administering and managing the Plan, including any transfer of such Data, as may be necessary or appropriate for the administration of the Plan and/or the subsequent holding of shares of stock on the Grantee’s behalf, to a broker or third party with whom the shares acquired on exercise may be deposited. The Grantee understands that he or she may, at any time, review the Data, require any necessary amendments to it or withdraw the consent herein by notifying STERIS in writing. The Grantee further understands that withdrawing consent may affect the Grantee’s ability to participate in the Plan, at the sole discretion of the Board or the Chief Executive Officer or its delegatee or delegates.

11. **Relation to Plan.** This Agreement is subject to the terms and conditions of the Plan. In the event of any inconsistency between the provisions of this Agreement and the Plan, the Plan shall govern. All terms used herein with initial capital letters and not otherwise defined herein that are defined in the Plan shall have the meanings assigned to them in the Plan.
12. **Amendments.** Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; *provided, however*, that no amendment shall adversely affect the rights of the Grantee under this Agreement without the Grantee’s consent.
13. **Severability.** If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid or unenforceable, the remainder of this Agreement and the application of such provision to any other person or circumstances shall not be affected, and the provisions so held to be invalid or unenforceable shall be reformed to the extent (and only to the extent) necessary to make it enforceable and valid.
14. **Governing Law.** This Agreement shall be governed by and construed in accordance with the internal substantive laws of the State of Ohio, without giving effect to any principle of law that would result in the application of the law of any other jurisdiction.
15. **Miscellaneous.** Nothing contained in this Agreement shall be understood as conferring on Grantee any right to continue as an employee of STERIS or any STERIS Subsidiary or affiliate. STERIS reserves the right to correct any clerical, typographical, or other error in this Agreement or otherwise with respect to this grant. This Agreement shall inure to the benefit of and be binding upon its parties and their respective heirs, executors, administrators, successors, and assigns, but the Units shall not be transferable by Grantee other than as provided in Section 17 of the Plan.

The undersigned hereby acknowledges receipt of an executed original of this Restricted Stock Unit Agreement, together with copies of the documents noted in Section 2 hereof, and accepts the award of Units granted hereunder on the terms and conditions set forth herein and in the Plan.

Dated: _____, 20

[Grantee’s Name]

Executed by and on behalf of STERIS Corporation as of the _____ day of _____, 20 _____.

STERIS CORPORATION

By: _____

Name:

Title:

LETTER REGARDING UNAUDITED INTERIM FINANCIAL INFORMATION

Board of Directors and Shareholders
STERIS Corporation

We are aware of the incorporation by reference in the following Registration Statements and related Prospectuses of our report dated November 6, 2007 relating to the unaudited consolidated interim financial statements of STERIS Corporation and subsidiaries that are included in its Form 10-Q for the quarter ended September 30, 2007:

Registration Number	Description
333-137167	Form S-8 Registration Statement — STERIS Corporation Deferred Compensation Plan
333-136239	Form S-8 Registration Statement — STERIS Corporation 2006 Long-Term Equity Incentive Plan
333-40058	Form S-8 Registration Statement — Nonqualified Stock Option Agreement between STERIS Corporation and Les C. Vinney
333-40082	Form S-8 Registration Statement — Nonqualified Stock Option Agreement between STERIS Corporation and Laurie Brlas and the Nonqualified Stock Option Agreement between STERIS Corporation and David L. Crandall
333-65155	Form S-8 Registration Statement — STERIS Corporation 1998 Long-Term Incentive Compensation Plan
333-55839	Form S-8 Registration Statement — Nonqualified Stock Option Agreement between STERIS Corporation and John Masefield and the Nonqualified Stock Option Agreement between STERIS Corporation and Thomas J. DeAngelo
333-32005	Form S-8 Registration Statement — STERIS Corporation 1997 Stock Option Plan
333-06529	Form S-3 Registration Statement — STERIS Corporation
333-01610	Post-effective Amendment to Form S-4 on Form S-8 Registration Statement — STERIS Corporation
33-91444	Form S-8 Registration Statement — STERIS Corporation 1994 Equity Compensation Plan
33-91442	Form S-8 Registration Statement — STERIS Corporation 1994 Nonemployee Directors Equity Compensation Plan
33-55976	Form S-8 Registration Statement — STERIS Corporation 401(k) Plan
33-55258	Form S-8 Registration Statement — STERIS Corporation Amended and Restated Non-Qualified Stock Option Plan
333-63770	Form S-8 Registration Statement — Nonqualified Stock Option Agreement between STERIS Corporation and Charles L. Immel and Restricted Shares Agreement between STERIS Corporation and Charles L. Immel
333-09733	Form S-8 Registration Statement — STERIS Corporation 401(k) Plan
333-63774	Form S-8 Registration Statement — Nonqualified Stock Option Agreement between STERIS Corporation and Peter A. Burke
333-101308	Form S-8 Registration Statement — STERIS Corporation 2002 Stock Option Plan
333-91302	Form S-8 Registration Statement — Nonqualified Stock Option Agreement between STERIS Corporation and Mark D. McGinley

/s/ ERNST & YOUNG LLP

Cleveland, Ohio
November 6, 2007

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Walter M. Rosebrough, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of STERIS Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2007

/s/ WALTER M. ROSEBROUGH, JR.

Walter M. Rosebrough, Jr.
President and Chief Executive Officer

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Michael J. Tokich, certify that:

1. I have reviewed this quarterly report on Form 10-Q of STERIS Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2007

/s/ MICHAEL J. TOKICH

Michael J. Tokich
Vice President and Corporate Controller

**Certification Pursuant to 18 U.S.C. § 1350 as Adopted
Pursuant to § 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Form 10-Q of STERIS Corporation (the "Company") for the quarter ended September 30, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, that, to such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ WALTER M. ROSEBROUGH, JR.

Name: Walter M. Rosebrough, Jr.
Title: President and Chief Executive Officer

/s/ MICHAEL J. TOKICH

Name: Michael J. Tokich
Title: Vice President and Corporate Controller

Dated: November 8, 2007