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

**Form 10-Q**

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

For the quarter ended December 31, 2003

Commission file number 0-20165

**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 44060-1834**  
(Address of principal executive offices)

**34-1482024**  
(IRS Employer  
Identification No.)

**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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The number of Common Shares outstanding as of January 31, 2004: 69,819,599

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PART I - FINANCIAL INFORMATION

**ITEM 1. FINANCIAL STATEMENTS**

**STERIS CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands)

	December 31, 2003	March 31, 2003
	(Unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 38,852	\$ 25,941
Accounts receivable (net of allowances of \$8,283 and \$8,637, respectively)	218,492	211,687
Inventories	113,711	90,135
Current portion of deferred income taxes	15,237	14,904
Prepaid expenses and other current assets	12,230	11,765
<b>Total current assets</b>	<b>398,522</b>	<b>354,432</b>
Property, plant, and equipment, net	368,032	345,621
Intangibles, net	229,305	192,416
Other assets	1,892	2,523
<b>Total assets</b>	<b>\$ 997,751</b>	<b>\$ 894,992</b>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Current portion of long-term indebtedness	\$ 3,204	\$ 1,959
Accounts payable	52,885	72,969
Accrued income taxes	4,975	15,098
Accrued payroll and other related liabilities	42,836	38,591
Accrued expenses and other	63,718	62,434
<b>Total current liabilities</b>	<b>167,618</b>	<b>191,051</b>
Long-term indebtedness	110,405	59,704
Deferred income taxes	18,256	18,256
Other liabilities	61,044	56,451
<b>Total liabilities</b>	<b>357,323</b>	<b>325,462</b>
Shareholders' equity:		
Serial preferred shares, without par value; 3,000 shares authorized; no shares issued or outstanding	—	—
Common Shares, without par value; 300,000 shares authorized; issued and outstanding shares of 69,515 and 69,741, respectively	217,583	224,355
Retained earnings	421,237	357,303
Accumulated other comprehensive income (loss):		
Minimum pension liability	(7,281)	(7,281)
Cumulative foreign currency translation adjustment	8,889	(4,847)
<b>Total shareholders' equity</b>	<b>640,428</b>	<b>569,530</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 997,751</b>	<b>\$ 894,992</b>

See notes to consolidated financial statements.

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2003	2002	2003	2002
<b>Net revenues:</b>				
Product	\$ 191,362	\$ 173,245	\$ 549,481	\$ 489,564
Service	82,924	71,067	241,474	208,831
<b>Total net revenues</b>	<b>274,286</b>	<b>244,312</b>	<b>790,955</b>	<b>698,395</b>
<b>Cost of revenues:</b>				
Product	112,120	97,101	320,007	281,652
Service	47,069	43,268	138,666	124,590
<b>Total cost of revenues</b>	<b>159,189</b>	<b>140,369</b>	<b>458,673</b>	<b>406,242</b>
<b>Gross profit</b>	<b>115,097</b>	<b>103,943</b>	<b>332,282</b>	<b>292,153</b>
<b>Operating expenses:</b>				
Selling, general, and administrative	69,623	63,103	214,182	190,808
Research and development	7,648	6,811	21,726	17,540
	<b>77,271</b>	<b>69,914</b>	<b>235,908</b>	<b>208,348</b>
<b>Income from operations</b>	<b>37,826</b>	<b>34,029</b>	<b>96,374</b>	<b>83,805</b>
Interest expense, net	448	466	1,432	1,420
<b>Income before income taxes</b>	<b>37,378</b>	<b>33,563</b>	<b>94,942</b>	<b>82,385</b>
Income tax expense	10,285	12,083	31,008	29,659
<b>Net income</b>	<b>\$ 27,093</b>	<b>\$ 21,480</b>	<b>\$ 63,934</b>	<b>\$ 52,726</b>
<b>Net income per share - basic</b>	<b>\$ 0.39</b>	<b>\$ 0.31</b>	<b>\$ 0.92</b>	<b>\$ 0.76</b>
<b>Net income per share - diluted</b>	<b>\$ 0.38</b>	<b>\$ 0.30</b>	<b>\$ 0.91</b>	<b>\$ 0.75</b>

See notes to consolidated financial statements.

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

	Nine Months Ended December 31,	
	2003	2002
<b>Operating activities</b>		
Net income	\$ 63,934	\$ 52,726
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	36,488	34,554
Deferred income taxes	(333)	(82)
Other items	7,535	10,441
Changes in operating assets and liabilities, excluding the effect of business acquisitions:		
Accounts receivable	1,772	16,352
Inventories	(704)	(8,574)
Other current assets	950	(1,086)
Accounts payable, net	(30,938)	(17,917)
Accruals and other, net	(10,836)	(4,823)
<b>Net cash provided by operating activities</b>	<b>67,868</b>	<b>81,591</b>
<b>Investing activities</b>		
Purchases of property, plant, and equipment	(48,430)	(45,218)
Purchase of business related assets	(2,900)	—
Investment in businesses, net of cash acquired	(36,814)	(140)
<b>Net cash used in investing activities</b>	<b>(88,144)</b>	<b>(45,358)</b>
<b>Financing activities</b>		
Payments under credit facility, net	(53,200)	(30,000)
Payments on long-term obligations	(4,933)	(2,081)
Proceeds from issuance of long-term debt	100,000	—
Purchase of treasury shares	(16,609)	(16,070)
Debt issuance costs	(537)	—
Stock option and other equity transactions	9,837	7,851
<b>Net cash provided by/(used in) financing activities</b>	<b>34,558</b>	<b>(40,300)</b>
Effect of exchange rate changes on cash and cash equivalents	(1,371)	2,418
Increase (decrease) in cash and cash equivalents	12,911	(1,649)
Cash and cash equivalents at beginning of period	25,941	12,424
Cash and cash equivalents at end of period	<b>\$ 38,852</b>	<b>\$ 10,775</b>

See notes to consolidated financial statements.

**STERIS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**  
**For the Three and Nine Months Ended**  
**December 31, 2003 and 2002**  
**(dollars in thousands, except per share amounts)**

**1. Basis of Presentation**

STERIS Corporation's (the "Company" or "STERIS") unaudited consolidated financial statements for the three and nine months ended December 31, 2003 and 2002 included in this Quarterly Report on Form 10-Q have been prepared in accordance with the accounting policies described in the Notes to Consolidated Financial Statements for the fiscal year ended March 31, 2003, which were included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on June 20, 2003, and in management's opinion contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the consolidated financial position, results of operations, and cash flows for the interim periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted in accordance with the rules and regulations of the Securities and Exchange Commission. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Form 10-K referred to above. The consolidated balance sheet at March 31, 2003 has been derived from the audited consolidated financial statements at that date but does not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany accounts and transactions have been eliminated upon consolidation. Certain reclassifications have been made to the Company's prior year financial statements to conform to the current year classification.

**2. Reporting Segments**

The Company develops, manufactures, and markets infection prevention, contamination control, microbial reduction, and surgical and critical care support, products and services for healthcare, scientific, research, industrial, and government customers throughout the world. STERIS is focused on helping customers address today's needs primarily in the healthcare and pharmaceutical industries. The healthcare industry is changing rapidly due to the growth of minimally invasive surgical and diagnostic procedures; heightened public and professional awareness and concern for the increasing number of transmittable and antibiotic-resistant pathogens; and the rising cost of healthcare delivery. These trends have expanded the demand for rapid, safe, and efficient infection prevention systems for critical tasks such as the sterile processing of devices and the handling, decontamination, destruction, and disposal of potentially infectious biohazardous agents or waste. The pharmaceutical industry is also expanding to meet increased demand for new and generic drugs. Pharmaceutical, biotech, medical device, and other manufacturers are under growing pressure to adhere to stricter guidelines and increasing global standards for the validation and control of their antimicrobial processes.

Effective April 1, 2003, STERIS management realigned the Company into three segments to focus resources on specific missions and customer groups to achieve the Company's long term strategic initiatives and capture targeted growth opportunities. As a result, the Company began reporting in three business segments: Healthcare, Life Sciences, and STERIS Isomedix Services. The Company followed the guidelines of Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131") as a basis to determine the aggregation of operations into segments. Each operation was grouped into a segment based on similar economic characteristics, nature of products and services, nature of production processes, types or classes of customers, methods used to distribute products and services, and the nature of the regulatory environment.

The Healthcare reporting segment includes the Healthcare business and the Company's Skincare business, now known as the Applied Infection Control business. The Healthcare segment competes within a variety of areas in the global medical marketplace. Each area is directly or indirectly associated with the infrastructure utilized within surgical environments in hospitals, teaching facilities, universities, and alternate surgical facilities. The Healthcare business includes surgical support, sterile processing, equipment services, and contract sterilization for hospitals. The Applied Infection Control business consists of hygiene and infection control products sold into acute care, non-acute care, and institutional/industrial markets.

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The Life Sciences reporting segment consists of the Life Sciences business and the Defense and Industrial business. The Life Sciences business provides capital equipment, cleaning chemistries, and services to pharmaceutical and biopharmaceutical manufacturers, research and development operations, as well as private and public research institutions. The Defense and Industrial business consists of the Company's Strategic Technology Enterprises, Inc. subsidiary, which addresses emerging opportunities related to the threat of biological and chemical contamination.

The STERIS Isomedix Services reporting segment provides contract sterilization, microbiological reduction, and materials modification services in the form of ethylene oxide, gamma, and electron beam processing technologies. STERIS Isomedix Services serves customers in several diverse industries including medical devices, labware, pharmaceuticals, food packaging, spices, cosmetics, and materials modification.

As of December 31, 2003, the Company had approximately 5,100 employees worldwide, with over 2,320 involved in direct sales, service, and field support. Customer support and training facilities are located in major global market centers, and production and manufacturing operations are found in the United States, Canada, Germany, Finland, Sweden, and Switzerland.

### **3. Recently Issued Accounting Standards**

In August 2001, Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations," was issued. This Statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the associated retirement costs by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the remaining estimated useful life of the related asset. The Company adopted this Statement on April 1, 2003 and the impact of the adoption on the Company's consolidated financial statements was not considered material.

In November 2002, the Emerging Issues Task Force reached a consensus on Issue 00-21 ("EITF 00-21"), "Accounting for Revenue Arrangements with Multiple Deliverables." EITF 00-21 addresses how to account for arrangements that may involve the delivery or performance of multiple products, services and/or rights to use assets. The final consensus is applicable to agreements entered into in fiscal periods beginning after June 15, 2003 with early adoption permitted. The Company adopted EITF 00-21 effective July 1, 2003, and the adoption of this Statement did not have an impact on the Company's consolidated financial statements.

In December 2002, Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure" ("SFAS 148") was issued providing alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," ("SFAS 123") to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. The transition guidance and annual disclosure provisions of SFAS 148 are effective for fiscal years ending after December 15, 2002, while the interim disclosure provisions are effective for periods beginning after December 15, 2002. As permitted by SFAS 123 and SFAS 148, the Company has adopted the disclosure only provisions and does not recognize expense for stock options granted to employees when the exercise price equals the market price of the stock on the date of grant.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). FIN 46 clarifies the application of Accounting Research Bulletin ("ARB") No. 51, "Consolidated Financial Statements" for certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other

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parties. FIN 46 requires that variable interest entities, as defined, should be consolidated by the primary beneficiary, which is defined as the entity that is expected to absorb the majority of the expected losses, receive the majority of the gains, or both. The Interpretation requires that companies disclose certain information about a variable interest entity created prior to February 1, 2003, if it is reasonably possible that the enterprise will be required to consolidate that entity. The application of this Interpretation is required no later than the end of the first interim or annual reporting period ending after March 15, 2004 for entities created prior to February 1, 2003, and immediately for any variable interest entities created subsequent to January 31, 2003. The Company has evaluated its affiliated entities and does not have any entity it is affiliated with but does not currently consolidate that will meet the definition of a variable interest entity.

In May 2003, Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"), was issued to establish standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 requires an issuer to classify a financial instrument that is within its scope as a liability, or an asset, which may have previously been classified as equity. The Company adopted SFAS 150 effective June 30, 2003, as required, and the adoption of this Statement did not have an impact on the Company's consolidated financial statements.

**4. Private Debt Placement**

In December 2003, the Company issued \$100,000 of notes in a private placement (the "December 2003 Private Placement") to certain institutional investors in an offering exempt from the registration requirements of the Securities Act of 1933. The proceeds are to be used to fund future growth and acquisitions. Of the \$100,000 in notes, \$40,000 will mature in five years at an annual interest rate of 4.20%, an additional \$40,000 will mature in ten years at an annual interest rate of 5.25% and the remaining \$20,000 will mature in twelve years at an annual interest rate of 5.38%. Funds available under the Company's existing unsecured \$325,000 Revolving Credit Facility (the "Facility") were reduced to \$275,000, as required by the Facility loan agreement. In the third quarter of fiscal 2004, the proceeds of the December 2003 Private Placement were used to pay down the outstanding balance of the Company's existing Facility with the remaining balance being invested in short term marketable securities.

**5. Common Shares**

The following is a summary of Common Shares and Common Share equivalents outstanding used in the calculations of earnings per share:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2003	2002	2003	2002
Weighted average Common Shares outstanding - basic	69,468	69,389	69,425	69,382
Dilutive effect of stock options	1,091	1,179	1,206	1,292
Weighted average Common Shares and equivalents - diluted	70,559	70,568	70,631	70,674

**6. Stock Compensation Plans**

The Company has granted nonqualified stock options to certain employees to purchase the Company's Common Shares at the market price on the date of grant. Generally, stock options granted become exercisable to the extent of one-fourth of the optioned shares for each full year of employment following the date of grant and expire approximately 10 years after the date of grant, or earlier if an option holder ceases to be employed by the Company. The Company accounts for stock



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based compensation under the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," as permitted by SFAS 123, "Accounting for Stock-Based Compensation," as amended by SFAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" and accordingly recognizes no compensation expense when the exercise price equals the market price of the stock on the date of grant.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation, using the fair value estimate computed by the Black-Scholes option-pricing model:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2003	2002	2003	2002
<b>Net income:</b>				
As reported	\$ 27,093	\$ 21,480	\$ 63,934	\$ 52,726
Add: Expense included in reported results	—	—	—	—
Less: Fair value of options granted	1,626	1,598	4,498	4,674
<b>Pro forma</b>	<b>\$ 25,467</b>	<b>\$ 19,882</b>	<b>\$ 59,436</b>	<b>\$ 48,052</b>
<b>Earnings per share:</b>				
<b>Basic:</b>				
As reported	\$ 0.39	\$ 0.31	\$ 0.92	\$ 0.76
Pro forma	\$ 0.37	\$ 0.29	\$ 0.86	\$ 0.70
<b>Diluted:</b>				
As reported	\$ 0.38	\$ 0.30	\$ 0.91	\$ 0.75
Pro forma	\$ 0.36	\$ 0.28	\$ 0.84	\$ 0.69

Fair value was estimated at the date of grant using the Black-Scholes option pricing model and the following weighted-average assumptions for the three and nine months ended December 31, 2003 and 2002, respectively: risk-free interest rates of 3.54% to 7.06%; dividend yield of 0%; expected volatility of 45%; and an expected option life of 5 years.

#### 7. Comprehensive Income

Comprehensive income amounted to \$35,518 and \$22,385, net of tax, for the three months ended December 31, 2003 and 2002, respectively. For the nine months ended December 31, 2003, comprehensive income totaled \$77,670, net of tax, compared to \$55,841, net of tax, for the nine months ended December 31, 2002. The difference between net income and comprehensive income for the periods resulted from the change in the cumulative foreign currency translation adjustment.

#### 8. Inventories

Inventories are stated at cost, which does not exceed market. The Company uses the last-in, first-out (LIFO) and first-in, first-out (FIFO) cost methods. Inventories utilizing the LIFO method represented approximately 62.9% of total inventories at December 31, 2003 and 74.3% at March 31, 2003, with the decrease in the proportionate inventories utilizing the LIFO method attributable primarily to the HAMO acquisition and the effects of foreign currency translation. Inventory costs include material, labor, and overhead. Inventories were as follows:

	December 31, 2003	March 31, 2003
Raw material	\$ 32,585	\$ 26,774
Work in process	26,019	8,018
Finished goods	55,107	55,343
<b>Total inventories</b>	<b>\$ 113,711</b>	<b>\$ 90,135</b>

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**9. Non-recurring Transactions**

***Fiscal 2001 Charge***

The Company concluded a review of manufacturing, service, and support functions during the fourth quarter of fiscal 2001. Those efforts were used to identify opportunities for efficiency and productivity improvements beyond those initiated during the fourth quarter of fiscal 2000. As a result of this review and the related plan to initiate improvements in those and other functions, a charge of \$41,476 (\$28,204 net of tax, or \$0.41 per diluted share) was recorded. This charge primarily related to plans for manufacturing consolidations, upgrading of the Company's service, sales, and distribution organizations, and associated workforce reductions. The implementation of these actions began in the fourth quarter of fiscal 2001 and resulted in a reduction of approximately 335 employees in the manufacturing and support functions by the end of the fourth quarter of fiscal 2002.

Restructuring reserves of \$429 and \$1,150 remained as of December 31, 2003, and March 31, 2003, respectively, and related primarily to severance obligations. These remaining severance payments at December 31, 2003, which relate to four former employees, will continue until December 2004.

**10. Contingencies**

There are various pending lawsuits, claims, and regulatory proceedings arising out of the conduct of STERIS's business. In the opinion of management, the ultimate outcome of these lawsuits, claims, and regulatory proceedings will not have a material adverse effect on STERIS's 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, claims, and proceedings or their effect. When estimates of the Company's exposure for claims or pending or threatened litigation matters meet the criteria of Statement of Financial Account Standards No. 5, "Accounting for Contingencies," amounts are recorded as charges to net earnings. STERIS presently maintains product liability insurance coverage in amounts and with deductibles that it believes are prudent.

In the third quarter of fiscal 2004, the Company settled a wrongful discharge lawsuit with a former employee. In connection with that settlement, the Company was informed that the former employee had discussions with the United States Food and Drug Administration ("FDA") regarding the Company's SYSTEM 1 sterilizer. The Company has recently become aware that FDA is working with the United States Attorney's office to follow up on the allegations of the now-settled lawsuit. The Company has offered and intends to cooperate with the government agencies if requested. The Company believes that the substantive allegations made by the former employee related to the product in the lawsuit are inaccurate, and the suit has been settled and dismissed.

See the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on June 20, 2003 for further disclosure regarding contingencies.

**STERIS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**  
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(dollars in thousands, except per share amounts)

**11. Business Segment Information**

Financial information for each of the Company's reportable segments, as defined by SFAS 131, is presented in the following table. The Company redefined its reporting segments as of April 1, 2003, as described herein and, as a result, has reclassified its revenues and operating income based on its revised segment reporting. Operating income for each segment reflects the full allocation of all distribution, corporate, and research and development expenses to the reporting segments. The accounting policies for the reporting segments are the same as those for the consolidated company.

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2003	2002	2003	2002
<b>Net revenues:</b>				
Healthcare	\$ 188,583	\$ 173,816	\$ 547,824	\$ 500,737
Life Sciences	63,917	51,230	179,217	139,059
STERIS Isomedix Services	21,786	19,266	63,914	58,599
<b>Total net revenues</b>	<b>\$ 274,286</b>	<b>\$ 244,312</b>	<b>\$ 790,955</b>	<b>\$ 698,395</b>
<b>Operating income:</b>				
Healthcare	\$ 31,364	\$ 29,169	\$ 83,863	\$ 75,274
Life Sciences	3,255	3,092	3,127	732
STERIS Isomedix Services	3,207	1,768	9,384	7,799
<b>Total operating income</b>	<b>\$ 37,826</b>	<b>\$ 34,029</b>	<b>\$ 96,374</b>	<b>\$ 83,805</b>

The following is information about the Company's operations by geographic area:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2003	2002	2003	2002
<b>Net revenues</b>				
United States	\$ 213,585	\$ 198,012	\$ 616,560	\$ 567,353
Non-United States	60,701	46,300	174,395	131,042
<b>Total net revenues</b>	<b>\$ 274,286</b>	<b>\$ 244,312</b>	<b>\$ 790,955</b>	<b>\$ 698,395</b>
<b>Long-lived assets</b>				
United States	\$ 328,402	\$ 316,492		
Non-United States	41,522	31,652		
<b>Total long-lived assets</b>	<b>\$ 369,924</b>	<b>\$ 348,144</b>		

Long-lived assets are those assets that are identified with the operations in each geographic area including property, plant, and equipment and other assets. Revenues are based on the location of these operations and their customers. During the quarter ended December 31, 2003, revenues from a single customer did not aggregate to five percent or more of total revenues.

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**12. Treasury Shares**

On July 24, 2002 the Company announced that its Board of Directors had authorized the purchase of up to 3.0 million STERIS Common Shares. The shares may be used for the Company's employee benefit plans or for general corporate purposes.

During the first nine months of fiscal 2004, the Company purchased 761,200 of its Common Shares at an average price of \$21.82 per Common Share and 2,238,800 Common Shares remained authorized for purchase. At December 31, 2003, 252,260 Common Shares were held in treasury.

**13. Financial and Other Guarantees**

The Company generally offers a limited one-year parts and labor warranty on its capital equipment. The specific terms and conditions of those warranties vary depending on the product sold and the location where the Company does business. The Company provides for the estimated cost of product warranties at the time product revenue is recognized. Amounts due to customers for the Company's future performance under these warranties are recorded as a current liability on the accompanying balance sheets. Factors that affect the Company's warranty liability include the number and type of installed units, historical and anticipated rates of product failures, and material and service costs per claim. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

Changes in the Company's warranty liability are as follows:

	<b>December 31, 2003</b>
Balance, March 31, 2003	\$ 4,861
Warranties issued during the period	6,579
Settlements made during the period	(6,817)
Balance, December 31, 2003	\$ 4,623

The Company also issues product maintenance contracts to its customers that are accounted for in accordance with the requirements of FASB Technical Bulletin No. 90-1, "Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts." Such contracts generally range in terms from 1 to 5 years and require the Company to maintain and repair the Company's product over the maintenance contract term. Amounts received from customers under these contracts are initially recorded as a liability for deferred service contract revenue on the accompanying consolidated balance sheets. The liability recorded for deferred service revenue was \$11,788 and \$11,149 as of December 31, 2003 and March 31, 2003, respectively. Such deferred revenue is then amortized on a straight-line basis over the contract term and recognized as service revenue on the accompanying consolidated statements of income. The activity related to the liability for deferred service revenue has been excluded from the table presented above.

**14. Acquisitions**

On April 8, 2003, the Company acquired Hamo Holding AG ("Hamo") headquartered in Pieterlen, Switzerland. The results of Hamo's operations have been included in the Company's consolidated financial statements since the acquisition date. Hamo is a leading provider of washing / decontamination systems used in healthcare, pharmaceutical, and research industries. The acquisition provides an established distribution channel expanding the marketing capabilities of the Company's existing sterilization and washing / decontamination products in Europe and Asia, and adds manufacturing capacity in Switzerland.

**STERIS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**  
**For the Three and Nine Months Ended**  
**December 31, 2003 and 2002**  
**(dollars in thousands, except per share amounts)**

The purchase price of \$49.7 million, consisting of cash paid and debt assumed, is subject to final settlement of certain working capital adjustments as guaranteed by the seller. The allocation of the purchase price is subject to further adjustment as the Company finalizes costs associated with integration activities and valuations of certain assets acquired and liabilities assumed.

On May 7, 2003, the Company acquired certain assets related to the sterilization container business from Sterion Incorporated for \$2.9 million in cash. The Sterion Sterilization Container System ("Sterion") offers healthcare personnel a simple and reliable system for managing instrument sterile processing, storage and aseptic transport.

**15. Benefit Plans**

On December 8, 2003, the Medicare Prescription Drug Improvement and Modernization Act of 2003 (the "Act") became law in the United States. The Act introduces a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to the benefit provided for in the Act.

Plan sponsors may opt to defer recognizing the effects of the Act in the accounting for its plan under Statement of Financial Accounting Standard 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions* ("SFAS 106"). The Company has elected to defer recognizing the effects of the Act until after authoritative guidance on the accounting for the federal subsidy is issued.

As a result of the Company's election to defer the effects of the Act, any measures relating to postretirement benefits provided by the Company in its financial statements and related disclosures presented as notes to the consolidated financial statements do not reflect the effects of the Act on the plan. In addition, authoritative guidance, once issued, may require the Company to change information previously reported relating to its postretirement benefit plan.

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors  
STERIS Corporation

We have reviewed the accompanying consolidated balance sheet of STERIS Corporation and subsidiaries as of December 31, 2003, the related consolidated statements of income for the three and nine months ended December 31, 2003 and 2002 and the consolidated statements of cash flows for the nine months ended December 31, 2003 and 2002. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of STERIS Corporation and subsidiaries as of March 31, 2003 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 April 22, 2003, 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, 2003, 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  
January 19, 2004

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

Revenues for the third quarter of fiscal 2004 increased 12.3% to \$274.3 million as compared to third quarter fiscal 2003 revenues of \$244.3 million. Revenue mix for the third quarter of fiscal 2004 consisted of 48.7% capital revenue and 51.3% recurring revenue, which is composed of contract sterilization, consumable products, and service, compared to 48.1% capital and 51.9% recurring revenue, in the third quarter of fiscal 2003.

Gross margin percentages decreased to 42.0% for the third quarter of fiscal 2004 from 42.5% in the third quarter of fiscal 2003. Operating expenses for the third quarter of fiscal 2004 decreased as a percentage of revenues to 28.2% as compared to 28.6% in the comparable quarter of fiscal 2003. Net income for the third quarter of fiscal 2004 increased to \$27.1 million, or \$0.38 per diluted share, compared with third quarter fiscal 2003 net income of \$21.5 million, or \$0.30 per diluted share.

Revenues for the first nine months of fiscal 2004 were \$791.0 million, a 13.3% improvement over revenues of \$698.4 million in the comparable fiscal 2003 period. Revenue mix for the first nine months of fiscal 2004 consisted of 48.0% capital revenue and 52.0% recurring revenue compared to 48.1% capital and 51.9% recurring revenue for the first nine months of fiscal 2003.

Gross margin percentages also improved to 42.0% for the first nine months of fiscal 2004, compared with 41.8% in the same period of fiscal 2003. Operating expenses as a percentage of revenues during the first nine months of fiscal 2004 were flat at 29.8% in comparison to the same period a year ago. Net income for the first nine months of fiscal 2004 increased to \$63.9 million, or \$0.91 per diluted share, compared with \$52.7 million, or \$0.75 per diluted share, in the first nine months of fiscal 2003.

**Results of Operations**

**Net Revenues and Cost of Revenues  
(in thousands, except percentages)**

	Three Months Ended December 31,		Increase	
	2003	2002	Dollar	Percentage
Healthcare	\$ 547,824	\$ 500,737	\$ 47,087	9.4%
Life Sciences	179,217	139,059	40,158	28.9%
STERIS Isomedix Services	63,914	58,599	5,315	9.1%
<b>Total net revenues</b>	<b>790,955</b>	<b>698,395</b>	<b>92,560</b>	<b>13.3%</b>
Cost of revenues	458,673	406,242	52,431	12.9%
<b>Gross profit</b>	<b>\$ 332,282</b>	<b>\$ 292,153</b>	<b>\$ 40,129</b>	<b>13.7%</b>
<b>Gross margin percentage</b>	<b>42.0%</b>	<b>41.8%</b>		

The increase in Healthcare revenues for the third quarter of fiscal 2004 reflected increased service revenues and the contribution of newly acquired businesses. The Healthcare revenue percentage growth rate moderated primarily due to slower growth in the demand from hospitals, as spending by hospitals slowed during the third quarter. Healthcare revenue was composed of 45.6% capital goods and 54.4% from recurring revenues in the third quarter of fiscal 2004, compared to 46.3% capital goods and 53.7% from recurring revenues in the third quarter of fiscal 2003.

The increase in Life Sciences revenue for the third quarter of fiscal 2004 reflected strong demand primarily from pharmaceutical producers as well as manufacturing efficiencies gained from capacity expansions in fiscal 2003. The acquisition of Hamo and favorable foreign currency exchange rates also contributed to the increase in revenues this

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

quarter. Life Sciences revenue was composed of 74.3% capital goods and 25.7% from recurring revenues in the third quarter of fiscal 2004, compared to 72.2% capital goods and 27.8% from recurring revenues in the third quarter of the prior year.

The increase in STERIS Isomedix Services revenue for the third quarter of fiscal 2004 reflected increased pricing and ongoing growth in the medical device industry, an increase in demand from the labware market, and higher capacity utilization.

Net consolidated revenues for the third quarter of fiscal 2004 from capital goods were \$133.6 million, or 48.7% of consolidated revenues, compared to \$117.4 million, or 48.1% in the third quarter of fiscal 2003. Revenues from capital goods increased 13.7% in the third quarter of fiscal 2004 compared to the same period in the prior year. Third quarter fiscal 2004 revenue from recurring revenues totaled \$140.7 million, or 51.3% of consolidated revenue, compared to \$126.9 million, or 51.9% in the third quarter of fiscal 2003. Recurring revenues increased 10.9% in the third quarter of fiscal 2004 compared to the third quarter of fiscal 2003.

United States revenues for the third quarter of fiscal 2004 were \$213.6 million, or 77.9% of consolidated revenues, with \$60.7 million, or 22.1% of consolidated revenues from sales outside the United States. United States revenues for the third quarter of fiscal 2003 were \$198.0 million, or 81.0% of consolidated revenues with \$46.3 million, or 19.0% from sales outside the United States.

The cost of revenues increased \$18.8 million, or 13.4%, to \$159.2 million in the third quarter of fiscal 2004 compared to \$140.4 million in the same period of the prior year. The cost of revenues as a percentage of revenue was 58.0% in the third quarter of fiscal 2004 compared to 57.5% in the third quarter of fiscal 2003. The corresponding gross margin percentages were 42.0% and 42.5% in the third quarters of fiscal 2004 and fiscal 2003, respectively. The change in gross margin percentages was the result of lower production levels in certain manufacturing facilities and the effects of foreign currency exchange rates during the quarter.

**Operating Expenses**  
(in thousands, except percentages)

	Three Months Ended December 31,		Increase	
	2003	2002	Dollars	Percentage
Selling, general, and administrative	\$69,623	\$63,103	\$6,520	10.3%
Research and development	7,648	6,811	837	12.3%
<b>Total</b>	<b>\$77,271</b>	<b>\$69,914</b>	<b>\$7,357</b>	<b>10.5%</b>

Selling, general, and administrative expenses increased 10.3% or \$6.5 million dollars to \$69.6 million in the third quarter of fiscal 2004 compared to \$63.1 million in the third quarter of fiscal 2003. Compensation costs increased primarily due to the Hamo acquisition. General and administrative expenses increased due to increased expenses related to the realignment of the businesses into segments and strategic business units, and additional depreciation expense from completed plant projects, which were offset by the favorable impact from foreign currency exchange rates. Consulting and professional fees increased over the third quarter of the prior year primarily due to the Company's information technology investments, as well as several strategic marketing initiatives and safety awareness projects. The increases in operating expenses for the third quarter were offset by the Company's continued efforts to control discretionary spending in various administrative areas.

Research and development expenses increased 12.3% to \$7.6 million in the third quarter of fiscal year 2004 compared to \$6.8 million in the third quarter of the prior year due to continued investment in efforts to develop new technology. Research and development expenses, as a percent of revenues was, 2.8% for each of the third quarters of



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

fiscal 2004 and fiscal 2003. The increase in operating expenses for the quarter related to increased expenditures on product development and the completion of development stages of certain projects.

**Net Revenues and Cost of Revenues  
(in thousands, except percentages)**

	Nine Months Ended December 31,		Increase	
	2003	2002	Dollar	Percentage
Healthcare	\$ 547,824	\$ 500,737	\$ 47,087	9.4%
Life Sciences	179,217	139,059	40,158	28.9%
STERIS Isomedix Services	63,914	58,599	5,315	9.1%
<b>Total net revenues</b>	<b>790,955</b>	<b>698,395</b>	<b>92,560</b>	<b>13.3%</b>
Cost of revenues	458,673	406,242	52,431	12.9%
<b>Gross profit</b>	<b>\$ 332,282</b>	<b>\$ 292,153</b>	<b>\$ 40,129</b>	<b>13.7%</b>
<b>Gross margin percentage</b>	<b>42.0%</b>	<b>41.8%</b>		

The increase in Healthcare revenues for the first nine months of fiscal 2004 reflected increased volumes and the contribution of newly acquired businesses. The increase in volume was driven by new construction and project activity at hospitals, which remained strong year-to-date, despite softened demand from smaller sized replacement order business. This was offset by slower than anticipated market penetration of new products developed internally and through marketing alliances. Healthcare revenue was composed of 45.3% capital goods and 54.7% from recurring revenues in the first nine months of fiscal 2004, compared to 45.7% capital goods and 54.3% from recurring revenues in the first nine months of the prior year.

The increase in Life Sciences revenue for the first nine months of fiscal 2004 reflected strong demand primarily from pharmaceutical production and research facilities, as well as manufacturing efficiencies gained from capacity expansions in fiscal 2003. In addition, the acquisition of Hamo and favorable foreign currency exchange rates contributed to the year over year revenue increase. Life Sciences revenue was composed of 73.4% capital goods and 26.6% from recurring revenues in the first nine months of fiscal 2004, compared to 69.6% capital goods and 30.4% from recurring revenues in the first nine months of the prior fiscal year.

The increase in STERIS Isomedix Services revenue for the nine months ending December 31, 2003 reflected increased pricing and ongoing growth in the market for contract sterilization of medical devices. These factors were partially offset by weaker overall demand in the labware market, although demand increased in the third quarter.

Net consolidated revenues for the first nine months of fiscal 2004 from capital goods were \$379.9 million, or 48.0% of consolidated revenues, compared to \$325.8 million, or 46.6% in the first nine months of fiscal 2003. Revenues from capital goods increased 16.6% in the first nine months of fiscal 2004 compared to the same period in the prior year. Recurring revenues totaled \$411.1 million in the first nine months of fiscal year 2004, or 52.0% of consolidated revenue, compared to \$372.6 million, or 53.4% in the first nine months of fiscal 2003. Recurring revenues increased 10.3% in the first nine months of fiscal 2004 compared to the first nine months of fiscal 2003.

United States revenues for the first nine months of fiscal 2004 were \$616.6 million, or 78.0% of consolidated revenues, with \$174.4 million, or 22.0% of consolidated revenues from markets outside the United States. United States revenues for the first nine months of fiscal 2003 were \$567.4 million, or 81.2% of consolidated revenues with \$131.0 million, or 18.8% from markets outside the United States.

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

The cost of revenues increased \$52.4 million, or 12.9%, to \$458.7 million in the first nine months of fiscal 2004 compared to \$406.3 million in the same period of the prior year. The cost of revenues as a percentage of revenue was 58.0% in the first nine months of fiscal 2004 compared to 58.2% in the first nine months of fiscal 2003. The corresponding gross margin percentages were 42.0% and 41.8% in the first nine months of fiscal 2004 and fiscal 2003, respectively. Life Sciences experienced the highest rate of revenue growth and the largest improvement in its gross margin percentage when comparing the nine months ending December 31, 2003 and December 31, 2002. The Life Sciences increase in gross margin is due to increased revenues coupled with improved production methods resulting in lower production costs.

**Operating Expenses**  
(in thousands, except percentages)

	Nine Months Ended December 31,		Increase	
	2003	2002	Dollars	Percentage
Selling, general, and administrative	\$ 214,182	\$ 190,808	\$ 23,374	12.3%
Research and development	21,726	17,540	4,186	23.9%
<b>Total</b>	<b>\$ 235,908</b>	<b>\$ 208,348</b>	<b>\$ 27,560</b>	<b>13.2%</b>

Selling, general, and administrative expenses increased 12.3%, or \$23.4 million to \$214.2 million in the first nine months of fiscal 2004 compared to \$190.8 million in the first nine months of fiscal 2003. Compensation increased \$9.4 million attributable to the Hamo acquisition and year over year salary and wage inflation. Consulting and professional fees increased \$7.0 million primarily as a result of the Company's information technology investments, strategic marketing initiatives, and safety awareness projects. Increases in selling, general and administrative expenses resulted from increased depreciation expenses related to information technology and facilities upgrades and improvements, as well as the realignment of the businesses, were offset by favorable currency exchange rates of \$3.7 million.

Research and development expenses increased 23.9% to \$21.7 million in the first nine months of fiscal year 2004 compared to \$17.5 million in the first nine months of the prior year. Research and development expenses as a percent of revenues were 2.7% in the first nine months of fiscal 2004 compared to 2.5% in the first nine months of fiscal 2003. The increase related to increased expenditures on product development and the completion of development stages of certain projects.

**Income from Operations**

Income from operations for the third quarter increased 11.1% to \$37.8 million compared to \$34.0 million in the third quarter of fiscal 2003. The Healthcare segment operating income increased \$2.2 million, or 7.5%, to \$31.4 million for the quarter. The increase in Healthcare operating income is primarily attributed to pricing increases compared to the same period in fiscal 2003 and a better mix of higher margin recurring revenues. Life Sciences operating income increased \$0.2 million, or 5.3%, to \$3.3 million for the third quarter of fiscal 2004 compared to the same period in fiscal 2003 due to increased revenue and the impact of foreign currency exchange rates. The STERIS Isomedix Services segment experienced a \$1.4 million or 81.3% increase to \$3.2 million in operating income for the third quarter of fiscal 2004 compared to the same period in fiscal 2003 primarily due to a higher level of capacity utilization.

Income from operations increased 15.0% to \$96.4 million in the first nine months of fiscal 2004 compared to \$83.8 million in the first nine months of the prior year. The Healthcare segment increased operating income \$8.6 million, or 11.4% to \$83.9 million in the first nine months of fiscal 2004 compared to \$75.3 million in the same period in fiscal 2003. The Life Sciences segment increased its operating income by \$2.4 million, or 327.2%, to \$3.1 million in the first

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

nine months of fiscal year 2004 compared to an operating profit of \$0.7 million in the same period of the prior fiscal year. The STERIS Isomedix Services segment operating income increased \$1.6 million, or 20.3%, to \$9.4 million in the first nine months of fiscal 2004 compared to \$7.8 million in the first nine months of fiscal 2003.

**Interest Expense**

Interest expense, net, was essentially flat in the third quarter of fiscal 2004 at \$0.4 million compared to the third quarter of fiscal 2003. Interest expense, net, has remained flat at \$1.4 million for the first nine months of fiscal 2004 and 2003. The weighted average interest rate applicable to the Company's outstanding borrowings under the Company's \$325.0 million Facility was 2.11% as of December 31, 2002.

**Income Taxes**

Income tax expense for the third quarter of fiscal 2004 and 2003 was 27.5% and 36.0%, respectively, of pretax earnings. For the first nine months of fiscal 2004 and 2003, the effective tax rates were 32.7% and 36.0%, respectively. The change in the effective tax rates is due primarily to tax planning initiatives which have resulted in the Company's ability to use foreign tax credits related to earnings of foreign operations taxed in the US.

**Liquidity and Capital Resources**

**Cash Flows**  
(in thousands, except percentages)

	Nine Months Ended December 31,		Increase (Decrease)	
	2003	2002	Dollars	Percentage
<b>Operating activities:</b>				
Net income	\$ 63,934	\$ 52,726	\$ 11,208	21.3%
Non-cash items	43,690	44,913	(1,223)	-2.7%
Changes in operating assets and liabilities, excluding the effect of business acquisitions	(39,756)	(16,048)	(23,708)	147.7%
<b>Net cash provided by operating activities</b>	<b>\$ 67,868</b>	<b>\$ 81,591</b>	<b>\$ (13,723)</b>	<b>-16.8%</b>
<b>Investing activities:</b>				
Purchases of property, plant, and equipment	\$ (48,430)	\$ (45,218)	\$ (3,212)	7.1%
Purchase of business related assets	(2,900)	—	(2,900)	N/A
Investment in businesses, net of cash acquired	(36,814)	(140)	(36,674)	26195.7%
<b>Net cash used in investing activities</b>	<b>\$ (88,144)</b>	<b>\$ (45,358)</b>	<b>\$ (42,786)</b>	<b>94.3%</b>
<b>Financing activities:</b>				
Borrowings (payments) under credit facility, net	\$ (53,200)	\$ (30,000)	\$ (23,200)	77.3%
Payments on long-term obligations	(4,933)	(2,081)	(2,852)	137.0%
Proceeds from issuance of long-term debt	100,000	—	100,000	N/A
Repurchase of treasury shares	(16,609)	(16,070)	(539)	3.4%
Stock option and other equity transactions, net	9,300	7,851	1,449	18.5%
<b>Net cash provided by (used in) financing activities</b>	<b>\$ 34,558</b>	<b>\$ (40,300)</b>	<b>\$ 74,858</b>	<b>-185.8%</b>

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

The decrease in operating cash flows for the first nine months of fiscal 2004 as compared with the first nine months of fiscal 2003 was largely affected by unfavorable working capital changes between periods. Contributing to the decrease in cash provided by operating activities were decreases in accounts payable attributable to the timing of disbursement cycles, accrued expenses and other operating expenses as the Company continued to focus on controlling discretionary spending. The reductions to cash provided by operating activities were partially offset by the favorable cash flow effects in accounts receivable, revenue, cash and cash equivalents, and inventory balances.

Net cash used in investing activities increased primarily due to the \$36.8 million cash investment in Hamo. The cash used for the acquisition of Hamo does not reflect an additional \$8.5 million in debt assumed or the additional expenses incurred related to the acquisition. In addition to the Hamo acquisition, the Company has used \$2.9 million for the purchase of certain assets from Sterion Corporation, and an additional \$3.2 million compared to prior year for purchases of property, plant, and equipment in the first nine months of fiscal 2004.

Net cash provided by (used in) financing activities increased primarily due to the issuance of \$100.0 million of debt from the December 2003 Private Placement debt placement which was used to pay down the Company's existing credit Facility.

**Working Capital**  
(in thousands, except percentages)

	December 31, 2003	March 31, 2003	Increase (Decrease) in Working Capital	
			Dollars	Percentage
Cash and cash equivalents	\$ 38,852	\$ 25,941	\$ 12,911	49.8%
Accounts receivable, net	218,492	211,687	6,805	3.2%
Inventories	113,711	90,135	23,576	26.2%
Current portion of deferred income taxes	15,237	14,904	333	2.2%
Prepaid expenses and other assets	12,230	11,765	465	4.0%
<b>Total current assets</b>	<b>\$ 398,522</b>	<b>\$ 354,432</b>	<b>\$ 44,090</b>	<b>12.4%</b>
Current portion of long-term indebtedness	\$ 3,204	\$ 1,959	\$ (1,245)	-63.6%
Accounts payable	52,885	72,969	20,084	27.5%
Accrued income taxes	4,975	15,098	10,123	67.0%
Accrued payroll and other related liabilities	42,836	38,591	(4,245)	-11.0%
Accrued expenses and other	63,718	62,434	(1,284)	-2.1%
<b>Total current liabilities</b>	<b>\$ 167,618</b>	<b>\$ 191,051</b>	<b>\$ 23,433</b>	<b>12.3%</b>
<b>Working capital</b>	<b>\$ 230,904</b>	<b>\$ 163,381</b>	<b>\$ 67,523</b>	<b>41.3%</b>
Current ratio	2.4	1.9		
Long-term debt-to-total capital ratio	14.7%	9.5%		

During the first nine months of fiscal 2004, the Company's current ratio increased primarily due to the increase in cash and cash equivalents, inventories, and a decrease in accounts payable. Inventory increased as a result of the HAMO acquisition and the overall effects of foreign currency translation and accounts payable declined primarily due to the timing of disbursement cycles. The Company continued to maintain adequate financial flexibility, and as of December 31, 2003, the Company had \$38.9 million available in cash and cash equivalents.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued**

As described further in the cash flows discussion above, the Company initially increased its outstanding balance on the Facility during the first nine months of fiscal 2004 in order to facilitate the Hamo acquisition, the Sterion asset purchase, and to repurchase the Company's common shares. In December 2003, the Company paid down the outstanding balance of the existing credit Facility with the December 2003 Private Placement proceeds.

The Company's working capital increased by \$67.5 million primarily as a result of a \$23.6 million increase in inventory, an increase in cash and cash equivalents of \$12.9 million, and a decrease of \$20.1 million in accounts payable. The increase in inventory reflected \$11.2 million from the Hamo acquisition and \$11.6 million due to the effects of foreign currency translation. The increase in cash and cash equivalents was due to the funds remaining from the December 2003 Private Placement, while the decrease in accounts payable was attributable to the timing of vendor payments.

The Company believes that its available cash, cash flow from operations, and sources of credit will be adequate to satisfy its operating and capital needs for the next twelve months. The Company's management and Board of Directors continually review the operating and capital requirements as well as the overall capital structure of the corporation.

### **Market Risk**

The movements in foreign currency exchange rates create a degree of risk to the Company's operations. These movements affect the United States dollar value of sales made in foreign currencies and the United States dollar value of costs incurred in foreign currencies. Changing currency exchange rates also affects the Company's competitive position, as exchange rate changes may affect profitability and business and/or pricing strategies of non-United States based competitors.

### **Contingencies**

There are various pending lawsuits, claims, and regulatory proceedings arising out of the conduct of STERIS's business. In the opinion of management, the ultimate outcome of these lawsuits, claims, and regulatory proceedings will not have a material adverse effect on STERIS's 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, claims, and proceedings or their effect. When estimates of the Company's exposure for claims or pending or threatened litigation matters meet the criteria of Statement of Financial Account Standards No. 5, "Accounting for Contingencies," amounts are recorded as charges to net earnings. STERIS presently maintains product liability insurance coverage in amounts and with deductibles that it believes are prudent.

In the third quarter of fiscal 2004, the Company settled a wrongful discharge lawsuit with a former employee. In connection with that settlement, the Company was informed that the former employee had discussions with the United States Food and Drug Administration ("FDA") regarding the Company's SYSTEM 1 sterilizer. The Company has recently become aware that FDA is working with the United States Attorney's office to follow up on the allegations of the now-settled lawsuit. The Company has offered and intends to cooperate with the government agencies if requested. The Company believes that the substantive allegations made by the former employee in the lawsuit related to the product are inaccurate, and the suit has been settled and dismissed.

See the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on June 20, 2003 for further disclosure regarding contingencies.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued**

### **Seasonality**

The Company's financial results have been subject to recurring seasonal fluctuations. A number of factors have contributed to the seasonal patterns, including sales promotion and compensation programs, customer capital equipment buying patterns, and international business practices. Sales and profitability of certain of the Company's product lines have historically been disproportionately weighted toward the latter part of each quarter and generally weighted toward the latter part of each fiscal year. However, there is no assurance that these patterns will continue.

### **Forward-Looking Statements**

This document contains statements concerning certain trends, expectations, forecasts, estimates, or other forward-looking information affecting or relating to the Company or its 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 differ materially 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. Other risk factors are described in the Company's Form 10-K and other securities filings. Many of these important factors are outside STERIS's control. No assurances can be provided as to any future financial results. Unless legally required, the Company does 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 differ materially from those in the forward-looking statements include, without limitation, (a) the potential for increased pressure on pricing that leads to erosion of profit margins, (b) the possibility that market demand will not develop for new technologies, products or applications, or the Company's business initiatives will take longer, cost more or produce lower benefits than anticipated, (c) the possibility that compliance with laws, court rulings, regulations, or certification requirements of domestic and foreign authorities may delay or prevent new product introductions, affect the production and marketing of existing products, or otherwise affect Company performance, (d) the potential of international unrest or effects of fluctuations in foreign currencies of countries where the Company does a sizeable amount of business, and (e) the possibility of reduced demand, or reductions in the rate of growth in demand, for the Company's products and services.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

A discussion of market risk exposures is included in Part II, Item 7a, "Quantitative and Qualitative Disclosure about Market Risk," of the Company's 2003 Annual Report and Form 10-K. There were no material changes during the three and nine months ended December 31, 2003.

In December 2003, the Company issued \$100,000 of notes in a private placement (the "December 2003 Private Placement") to certain institutional investors in an offering exempt from the registration requirements of the Securities Act of 1933. The proceeds are to be used to fund future growth and acquisitions. Of the \$100,000 in notes, \$40,000 will mature in five years at an annual interest rate of 4.20%, an additional \$40,000 will mature in ten years at an annual interest rate of 5.25% and the remaining \$20,000 will mature in twelve years at an annual interest rate of 5.38%. Funds available under the Company's existing unsecured \$325,000 Revolving Credit Facility (the "Facility") were reduced to \$275,000, as required by the facility loan agreement. In the third quarter of fiscal 2004, the proceeds of the December 2003 Private Placement were used to pay down the outstanding balance of the Company's existing Facility with the remaining balance being invested in short term marketable securities.

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**ITEM 4. CONTROLS AND PROCEDURES**

As of December 31, 2003, a review was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of the Company's internal control over financial reporting. Based on that review, the Company's management, including the CEO and the CFO, concluded that the Company's internal control over financial reporting was effective as of December 31, 2003.

During the quarter ended December 31, 2003, there were no significant changes in the internal control over financial reporting that have materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

## PART II - OTHER INFORMATION

### **ITEM 1. LEGAL PROCEEDINGS**

Reference is made to Part I, Item 1, Note 10 of this Report on Form 10-Q, which is incorporated herein by reference.

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

None.

### **ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K**

#### (a) Exhibits

<u>Exhibit Number</u>	<u>Exhibit Description</u>
10.1	Amendment No. 3 to Credit Agreement, dated July 31, 2003, among STERIS Corporation, various financial institutions, and KeyBank National Association, as Agent.
10.2	Amendment No. 4 to Credit Agreement, dated October 27, 2003, among STERIS Corporation, various financial institutions, and KeyBank National Association, as Agent.
10.3	Note Purchase Agreement, dated December 17, 2003, between STERIS Corporation and certain institutional investors.
10.4	Subsidiary Guaranty, dated December 17, 2003, by certain subsidiaries of STERIS Corporation.
15.1	Letter Re: Unaudited Interim Financial Information.
31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

#### (b) Reports on Form 8-K:

On October 22, 2003, STERIS furnished a Current Report on Form 8-K including the press release issued in connection with the election of Jacqueline Kosecoff, Ph.D. to the Board of Directors of STERIS Corporation.

On October 23, 2003, STERIS furnished a Current Report on Form 8-K including the press release issued in connection with the second quarter results of operation.



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On November 12, 2003, STERIS furnished a Current Report on Form 8-K announcing that it intends to offer of senior notes to certain institutional investors in an offering exempt from the registration requirements of the Securities Act of 1933.

On December 17, 2003, STERIS furnished a Current Report on Form 8-K announcing that is had issued \$100 million of notes in a private placement to certain institutional investors in an offering exempt from the registration requirements of the Securities Act of 1933.

**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

(Registrant)

/s/ Laurie Brlas

---

Laurie Brlas  
Senior Vice President and  
Chief Financial Officer  
February 11, 2004

AMENDMENT NO. 3 TO CREDIT AGREEMENT

This AMENDMENT NO. 3 TO CREDIT AGREEMENT (this "Amendment") is made as of July 31, 2003, by and among STERIS CORPORATION, an Ohio corporation ("Borrower"), the lending institutions parties to the Credit Agreement, as hereinafter defined ("Lenders"), and KEYBANK NATIONAL ASSOCIATION, as administrative agent for the Lenders ("Agent").

## RECITALS:

A. Borrower, Agent and the Lenders are parties to the Credit Agreement, dated as of March 28, 2002 (as amended and as the same may from time to time be further amended, restated or otherwise modified, the "Credit Agreement").

B. Borrower, Agent and the Lenders desire to further amend the Credit Agreement to modify certain provisions thereof.

## AGREEMENT:

In consideration of the premises and mutual covenants herein and for other valuable considerations, Borrower, Agent and the Lenders agree as follows:

Section 1. Definitions. Each capitalized term used herein shall be defined in accordance with the Credit Agreement.

Section 2. New Definitions. Section 1.01 of the Credit Agreement is hereby amended to add the following new definitions thereto:

"Debt Placement Holder" means each holder of any of the Indebtedness issued pursuant to the Debt Placement.

"Intercreditor Agreement" means an Intercreditor Agreement, in form and substance acceptable to Agent, among the Debt Placement 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.

Section 3. Amendment to Borrowing Covenant. Section 5.08 of the Credit Agreement is hereby amended to delete subpart (h) and insert in place thereof the following:

(h) (i) Indebtedness of Borrower incurred pursuant to a Debt Placement subsequent to the Closing Date, provided that (A) the aggregate principal amount of the Indebtedness incurred pursuant to such Debt Placement shall not exceed \$150,000,000 at any time, (B) the maturity date of the Indebtedness incurred pursuant to such Debt

Placement shall be no earlier than the date that is 90 days after the last day of the Commitment Period as then in effect, (C) the covenants and agreements relating to the Indebtedness incurred pursuant to such Debt Placement are not more restrictive than the covenants and agreements set forth in this Agreement, (D) concurrently with the receipt by Borrower of any proceeds of the Indebtedness incurred pursuant to such Debt Placement, Borrower shall comply with the provisions of Section 2.10(b) and Section 2.12(b) hereof, and (E) if any Indebtedness incurred pursuant to such Debt Placement 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, and (ii) any guaranty of the foregoing Indebtedness by any Domestic Subsidiary, which guarantees may, at the request of the Debt Placement Holders, be subject to the Intercreditor Agreement.

Section 4. Amendment to Lien Covenant. Section 5.09 of the Credit Agreement is hereby amended to add the following new subpart (h) thereto:

(h) Liens in favor of the Debt Placement Holders or a collateral agent acceptable to Agent (with the understanding that the collateral agent may be Agent or any of the Lenders) on 65% of the capital stock (or other equity interest) of each first-tier Foreign Subsidiary securing the Indebtedness incurred pursuant to Section 5.8(h) hereof, which Liens may, if necessary in the opinion of Agent or at the request of the Debt Placement Holders, be subject to the Intercreditor Agreement.

Section 5. Conditions Precedent. The amendments set forth in this Amendment shall become effective upon the satisfaction of the following conditions precedent:

(a) This Amendment has been executed by Borrower, Agent and the Required Lenders, and counterparts hereof as so executed shall have been delivered to Agent;

(b) This Amendment has been consented and agreed to by each Guarantor of Payment; and

(c) Borrower shall provide such other items and shall satisfy such other conditions as may be reasonably required by Agent and the Lenders.

Section 6. Representations and Warranties. Borrower hereby represents and warrants to Agent and the Lenders that (a) Borrower has the legal power and authority to execute and deliver this Amendment; (b) the officials executing this Amendment have been duly authorized to execute and deliver the same and bind Borrower with respect to the provisions hereof; (c) the execution and delivery hereof by Borrower and the performance and observance by Borrower of the provisions hereof do not violate or conflict with the organizational agreements of Borrower or any law applicable to Borrower or result in a breach of any provision of or constitute a default under any other agreement, instrument or document binding upon or enforceable against Borrower; (d) no Default or Event of Default exists under the Credit Agreement, nor will any occur immediately after the execution and delivery of this Amendment or by the performance or observance of any provision hereof; and (e) this Amendment constitutes a valid and binding obligation of Borrower in every respect, enforceable in accordance with its terms.

Section 7. Credit Agreement Unaffected. Each reference that is made in the Credit Agreement or any other writing to the Credit Agreement shall hereafter be construed as a reference to the Credit Agreement as amended hereby. Except as herein otherwise specifically provided, all provisions of the Credit Agreement shall remain in full force and effect and be unaffected hereby.

Section 8. Counterparts This Amendment may be executed in any number of counterparts, by different parties hereto in separate counterparts and by facsimile signature, 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 9. Governing Law. The rights and obligations of all parties hereto shall be governed by the laws of the State of Ohio, without regard to principles of conflicts of laws.

[Remainder of page intentionally left blank.]

Section 10. JURY TRIAL WAIVER. BORROWER, AGENT, THE LENDERS AND EACH GUARANTOR HEREBY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT, THE LENDERS, EACH GUARANTOR, 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, this Amendment has been duly executed and delivered as of the date first above written.

STERIS CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

KEYBANK NATIONAL ASSOCIATION,  
as Agent and as a Lender

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

LASALLE BANK NATIONAL ASSOCIATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

HARRIS TRUST AND SAVINGS BANK

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

NATIONAL CITY BANK

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

THE BANK OF NEW YORK

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

PNC BANK, NATIONAL ASSOCIATION

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

BANK ONE, NA

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

U.S. BANK NATIONAL ASSOCIATION

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

FLEET NATIONAL BANK

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

FIRSTMERIT BANK, N.A.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

GUARANTOR ACKNOWLEDGMENT AND AGREEMENT

Each of the undersigned (collectively, the “Guarantors” and, individually, each a “Guarantor”) consents and agrees to and acknowledges the terms of Amendment No. 3 to Credit Agreement, dated as of July 31, 2003 (the “Amendment”). Each Guarantor specifically acknowledges the terms of and consents to the waivers set forth in the Amendment. Each Guarantor further agrees that its obligations pursuant to the Guaranty of Payment that it executed in connection with the Credit Agreement shall remain in full force and effect and be unaffected hereby.

Each Guarantor, by signing below, hereby waives and releases Agent and each of the Lenders and their respective directors, officers, employees, attorneys, affiliates, and subsidiaries from any and all claims, offsets, defenses, and counterclaims of which any of the Guarantors are aware, such waiver and release being with full knowledge and understanding of the circumstances and effect thereof and after having consulted legal counsel with respect thereto.

EACH GUARANTOR HEREBY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT, THE LENDERS, THE GUARANTORS, 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, this Guarantor Acknowledgment and Agreement has been duly executed and delivered as of the date of the Amendment.

MEDICAL & ENVIRONMENTAL DESIGNS, INC.  
ECOMED, INC.  
AMERICAN STERILIZER COMPANY  
STERIS EUROPE, INC.  
STERIS ASIA PACIFIC, INC.  
STERIS INC.  
HTD HOLDING CORP.  
HSTD LLC  
HAUSTED, INC.  
ISOMEDIX INC.  
ISOMEDIX OPERATIONS INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

of, and on behalf of, each of the above Guarantors



AMENDMENT NO. 4 TO CREDIT AGREEMENT

This AMENDMENT NO. 4 TO CREDIT AGREEMENT (this "Amendment") is made as of October 27, 2003, by and among STERIS CORPORATION, an Ohio corporation ("Borrower"), the lending institutions parties to the Credit Agreement, as hereinafter defined ("Lenders"), and KEYBANK NATIONAL ASSOCIATION, as administrative agent for the Lenders ("Agent").

## RECITALS:

A. Borrower, Agent and the Lenders are parties to the Credit Agreement, dated as of March 28, 2002 (as amended and as the same may from time to time be further amended, restated or otherwise modified, the "Credit Agreement").

B. Borrower, Agent and the Lenders desire to further amend the Credit Agreement to modify certain provisions thereof.

## AGREEMENT:

In consideration of the premises and mutual covenants herein and for other valuable considerations, Borrower, Agent and the Lenders agree as follows:

Section 1. Definitions. Each capitalized term used herein shall be defined in accordance with the Credit Agreement.

Section 2. Amendment to Borrowing Covenant. Section 5.08(h)(i)(C) of the Credit Agreement is hereby amended and restated as follows:

(C) the covenants and agreements relating to the Indebtedness incurred pursuant to such Debt Placement are (1) not more restrictive than the covenants and agreements set forth in this Agreement or (2) acceptable to Agent, in its sole discretion,

Section 3. Conditions Precedent. The amendments set forth in this Amendment shall become effective as of the date hereof if on or after the date hereof the following conditions precedent shall have been satisfied:

(a) Borrower, Agent and the Required Lenders shall have executed this Amendment, and counterparts hereof as so executed shall have been delivered to Agent;

(b) each Guarantor of Payment shall have consented and agreed to this Amendment; and

(c) Borrower shall have provided such other items and shall have satisfied such other conditions as may be reasonably required by Agent and the Lenders.

Section 4. Representations and Warranties. Borrower hereby represents and warrants to Agent and the Lenders that (a) Borrower has the legal power and authority to execute and deliver this Amendment; (b) the officials executing this Amendment have been duly authorized to execute and deliver the same and bind Borrower with respect to the provisions hereof; (c) the execution and delivery hereof by Borrower and the performance and observance by Borrower of the provisions hereof do not violate or conflict with the organizational agreements of Borrower or any law applicable to Borrower or result in a breach of any provision of or constitute a default under any other agreement, instrument or document binding upon or enforceable against Borrower; (d) no Default or Event of Default exists under the Credit Agreement, nor will any occur immediately after the execution and delivery of this Amendment or by the performance or observance of any provision hereof; and (e) this Amendment constitutes a valid and binding obligation of Borrower in every respect, enforceable in accordance with its terms.

Section 5. Credit Agreement Unaffected. Each reference that is made in the Credit Agreement or any other writing to the Credit Agreement shall hereafter be construed as a reference to the Credit Agreement as amended hereby. Except as herein otherwise specifically provided, all provisions of the Credit Agreement shall remain in full force and effect and be unaffected hereby.

Section 6. Counterparts This Amendment may be executed in any number of counterparts, by different parties hereto in separate counterparts and by facsimile signature, 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 7. Governing Law. The rights and obligations of all parties hereto shall be governed by the laws of the State of Ohio, without regard to principles of conflicts of laws.

Section 8. JURY TRIAL WAIVER. BORROWER, AGENT, THE LENDERS AND EACH GUARANTOR HEREBY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT, THE LENDERS, EACH GUARANTOR, 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.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, this Amendment has been duly executed and delivered as of the date first above written.

STERIS CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

KEYBANK NATIONAL ASSOCIATION, as Agent and as a Lender

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

LASALLE BANK NATIONAL ASSOCIATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

HARRIS TRUST AND SAVINGS BANK

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

NATIONAL CITY BANK

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

THE BANK OF NEW YORK

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

PNC BANK, NATIONAL ASSOCIATION

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Name: \_\_\_\_\_  
Title: \_\_\_\_\_

BANK ONE, NA

By: \_\_\_\_\_  
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Title: \_\_\_\_\_

U.S. BANK NATIONAL ASSOCIATION

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

FLEET NATIONAL BANK

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

FIRSTMERIT BANK, N.A.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

GUARANTOR ACKNOWLEDGMENT AND AGREEMENT

Each of the undersigned (collectively, the “Guarantors” and, individually, each a “Guarantor”) consents and agrees to and acknowledges the terms of Amendment No. 3 to Credit Agreement, dated as of October 27, 2003 (the “Amendment”). Each Guarantor specifically acknowledges the terms of and consents to the waivers set forth in the Amendment. Each Guarantor further agrees that its obligations pursuant to the Guaranty of Payment that it executed in connection with the Credit Agreement shall remain in full force and effect and be unaffected hereby.

Each Guarantor, by signing below, hereby waives and releases Agent and each of the Lenders and their respective directors, officers, employees, attorneys, affiliates, and subsidiaries from any and all claims, offsets, defenses, and counterclaims of which any of the Guarantors are aware, such waiver and release being with full knowledge and understanding of the circumstances and effect thereof and after having consulted legal counsel with respect thereto.

EACH GUARANTOR HEREBY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT, THE LENDERS, THE GUARANTORS, 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, this Guarantor Acknowledgment and Agreement has been duly executed and delivered as of the date of the Amendment.

MEDICAL & ENVIRONMENTAL DESIGNS, INC.  
ECOMED, INC.  
AMERICAN STERILIZER COMPANY  
STERIS EUROPE, INC.  
STERIS ASIA PACIFIC, INC.  
STERIS INC.  
HTD HOLDING CORP.  
HSTD LLC  
HAUSTED, INC.  
ISOMEDIX INC.  
ISOMEDIX OPERATIONS INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

of, and on behalf of, each of the above Guarantors

STERIS CORPORATION

\$40,000,000 4.20% Senior Notes, Series A-1, due December 15, 2008  
\$40,000,000 5.25% Senior Notes, Series A-2, due December 15, 2013  
\$20,000,000 5.38% Senior Notes, Series A-3, due December 15, 2015

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NOTE PURCHASE AGREEMENT

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Dated as of December 17, 2003

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(Not a part of the Agreement)

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SCHEDULE A	—	INFORMATION RELATING TO INITIAL PURCHASERS
SCHEDULE B	—	DEFINED TERMS
SCHEDULE 5.3	—	Disclosure Materials
SCHEDULE 5.4	—	Subsidiaries of the Company and Ownership of Subsidiary Stock
SCHEDULE 5.5	—	Financial Statements
SCHEDULE 5.11	—	Patents, etc.
SCHEDULE 5.14	—	Use of Proceeds
SCHEDULE 5.15	—	Existing Debt
EXHIBIT 1-A	—	Form of 4.20% Senior Note, Series A-1, due December 15, 2008
EXHIBIT 1-B	—	Form of 5.25% Senior Note, Series A-2, due December 15, 2013
EXHIBIT 1-C	—	Form of 5.38% Senior Note, Series A-3, due December 15, 2015
EXHIBIT 1.2	—	Form of Supplemental Note
EXHIBIT 2.2(a)	—	Form of Subsidiary Guaranty
EXHIBIT 2.2(b)	—	Form of Pledge Agreement
EXHIBIT 2.2(c)	—	Form of Intercreditor Agreement
EXHIBIT 2.3	—	Form of Supplemental Note Purchase Agreement
EXHIBIT 4.4(a)	—	Form of Opinion of Special Counsel to the Company, the Subsidiary Guarantors and the Pledgors
EXHIBIT 4.4(b)	—	Form of Opinion of Special Counsel to the Purchasers

**STERIS CORPORATION**  
**5960 HEISLEY ROAD**  
**MENTOR, OHIO 44060-1834**

\$40,000,000 4.20% Senior Notes, Series A-1, due December 15, 2008  
\$40,000,000 5.25% Senior Notes, Series A-2, due December 15, 2013  
\$20,000,000 5.38% Senior Notes, Series A-3, due December 15, 2015

Dated as of December 17, 2003

TO THE PURCHASER LISTED IN THE ATTACHED  
SCHEDULE A WHO IS A SIGNATORY HERETO:

Ladies and Gentlemen:

STERIS Corporation, an Ohio corporation (the "*Company*"), agrees with you as follows:

SECTION 1. AUTHORIZATION OF NOTES.

*Section 1.1. Series A Notes.* The Company will authorize the issuance and sale of (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, the Series A-2 Notes and the Series A-3 Notes are hereinafter referred to as the "Series A Notes"*). The Series A Notes shall be substantially in the form set out in Exhibit 1-A, Exhibit 1-B and Exhibit 1-C, respectively, with such changes therefrom, if any, as may be approved by you and the Company. Certain capitalized terms used in this Agreement are defined in Schedule B; references to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

*Section 1.2. Subsequent Series.* Subsequent Series of promissory notes (collectively, the "*Supplemental Notes*") may be issued pursuant to Supplemental Note Purchase Agreements as provided in Section 2.3 in an aggregate principal amount not to exceed \$50,000,000 and: (a) shall be sequentially identified as "*Series B Notes*", "*Series C Notes*", "*Series D Notes*" et seq. and may consist of more than one different and separate tranches, but all such different and separate tranches of the same Series shall constitute one Series; (b) shall be in the aggregate principal amount of not less than \$5,000,000 per each such series, (c) shall be dated the date of such Supplemental Note Purchase Agreement, (d) shall bear interest from such date at the rate per annum to be determined as of such date, (e) shall bear interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and, to the extent permitted by law, on any overdue installment of interest at the stated rate plus 2%, (f) shall be

subject to required and optional prepayments, and (g) shall be expressed to mature on the stated maturity date, all as set forth in the Supplemental Note Purchase Agreement relating thereto and shall otherwise be substantially in the form attached hereto as Exhibit 1.2; provided, no Supplemental Notes shall be issued if at the time of issuance thereof and after giving effect to the application of proceeds therefor, any Default or Event of Default shall have occurred and be continuing. The Series A Notes, and the Supplemental Notes are herein sometimes collectively referred to as the "Notes." As used herein, the term "Notes" shall include, without limitation, each Note delivered pursuant to this Agreement, the Other Agreements and any other Supplemental Note Purchase Agreement at the Closing and/or at any Supplemental Closing and each Note delivered in substitution or exchange for any such Note pursuant hereto.

#### SECTION 2. SALE AND PURCHASE OF NOTES; SUBSEQUENT SALES.

*Section 2.1. Initial Sale of Notes.* Subject to the terms and conditions of this Agreement, the Company will issue and sell to you and you will purchase from the Company, at the Closing provided for in Section 3, Series A Notes in the principal amount and of the tranche specified opposite your name in Schedule A at the purchase price of 100% of the principal amount thereof. Contemporaneously with entering into this Agreement, the Company is entering into separate Note Purchase Agreements (the "*Other Agreements*") identical with this Agreement with each of the other purchasers named in Schedule A (the "*Other Purchasers*"), providing for the sale at such Closing to each of the Other Purchasers of Series A Notes in the principal amount and of the tranche specified opposite its name in Schedule A. You and the Other Purchasers are herein sometimes collectively referred to as the "*Initial Purchasers*". Your obligation hereunder, and the obligations of the Other Purchasers under the Other Agreements, are several and not joint obligations, and you shall have no obligation under any Other Agreement and no liability to any Person for the performance or nonperformance by any Other Purchaser thereunder. Without limiting the foregoing, the Company understands and agrees that your commitment and that of the Other Purchasers under the Other Agreements to purchase the Series A Notes as herein and therein contemplated does not constitute a commitment, obligation or indication of interest to purchase any Supplemental Notes.

*Section 2.2. Guarantees.* (a) The payment by the Company of all amounts due with respect to the Notes and the performance by the Company of its obligations under this Agreement and the Other Agreements will be absolutely and unconditionally guaranteed by Ecomed, Inc., an Indiana corporation, American Sterilizer Company, a Pennsylvania corporation, STERIS Europe, Inc., a Delaware corporation, STERIS Asia Pacific, Inc., a Delaware corporation, STERIS Inc., a Delaware corporation, HTD Holding Corp., a Delaware corporation, HSTD LLC, a Delaware limited liability company, Hausted, Inc., a Delaware corporation, Isomedix Inc., a Delaware corporation, Isomedix Operations Inc., a Delaware corporation, SterilTek, Inc. a Nevada corporation, STERIS Latin America, Inc., a Delaware corporation and Strategic Technology Enterprises, Inc., a Delaware corporation (together with any additional Subsidiary who delivers a guaranty pursuant to Section 9.7, the "*Subsidiary Guarantors*") pursuant to the guaranty agreement substantially in the form of Exhibit 2.2(a) attached hereto and made a part hereof (as the same may be amended, modified, extended or renewed, the "*Subsidiary Guaranty*").

(b) The Notes will be entitled to the benefit of and will be secured by the pledge agreements each dated as of December 17, 2003 by and among the Company, American Sterilizer Company, a Pennsylvania corporation, Isomedix Inc., a Delaware corporation, STERIS Asia Pacific, Inc., a Delaware corporation, STERIS Europe, Inc., a Delaware corporation, and STERIS Latin America, Inc., a Delaware corporation, respectively (collectively, the “*Pledgors*”), and KeyBank National Association, as collateral agent (the “*Collateral Agent*”) under the Intercreditor Agreement, pursuant to the pledge agreement substantially in the form of **Exhibit 2.2(b)** attached hereto and made a part hereof (collectively, as the same may be further amended, supplemented or otherwise modified from time to time, the “*Pledge Agreements*”).

The Pledge Agreements and any other instruments, documents, agreements related hereto pursuant to which the Company or any Subsidiary agrees to grant Liens in favor of the Collateral Agent for the ratable benefit of the Creditors are hereinafter referred to as the “*Collateral Documents*”. The Collateral Documents and the Subsidiary Guaranty are hereinafter collectively referred to as the “*Security Documents*.”

(c) The enforcement of the rights and benefits in respect of the Security Documents and the allocation of proceeds thereof will be subject to an intercreditor agreement dated as of December 17, 2003 entered into by the Agent on behalf of the Banks, the Collateral Agent and you, substantially in the form of **Exhibit 2.2(c)** attached hereto and made a part hereof (as the same may be further amended, supplemented or otherwise modified from time to time, the “*Intercreditor Agreement*”).

(d) If at any time the Company or any Subsidiary shall grant to any one or more of the Agent or the Banks security of any kind or provide any one or more of the Agent or the Banks with additional guaranties or other credit support of any kind pursuant to the requirements of the Bank Credit Agreement, then the Company or such Subsidiary shall grant to the holders of the Notes the same security or guaranty so that the holders of the Notes shall at all times be secured on an equal and pro rata basis with the Banks. All such additional guaranties shall be given to the holders of the Notes pursuant to **Section 9.7** of this Agreement.

(e) The holders of the Notes agree that the obligations of any Subsidiary under the Subsidiary Guaranty and the Liens of the Collateral Documents in respect of all or any part of the Collateral therein described shall be automatically released and discharged without the necessity of further action on the part of the holders of the Notes if, and to the extent, the corresponding guaranty or Lien given pursuant to the terms of the Bank Credit Agreement is released and discharged, *provided* that in the event the Company or any Subsidiary shall again become obligated under or with respect to the previously discharged Subsidiary Guaranty or again grant the discharged Lien, as the case may be, pursuant to the terms and provisions of the Subsidiary Guaranty, Pledge Agreement, the Bank Credit Agreement or any additional bank loan agreement entered into by the Company pursuant to which such lenders make available to the Company credit facilities which are *pari passu* with the Notes, then the Lien granted by the Company or its Subsidiaries under the Pledge Agreement or other Collateral Document or obligations of such Subsidiary under the Subsidiary Guaranty, as the case may be, shall be reinstated and any release thereof previously given shall be deemed null and void, and such Subsidiary Guaranty shall again benefit the holders of the Notes on an equal and *pro rata* basis

and such reinstated Lien and Subsidiary Guaranty shall once again be subject to the terms of the Intercreditor Agreement. Any release by the holders of the Notes under this **Section 2.2(e)** shall be deemed to have occurred concurrently with the release and discharge under the Bank Credit Agreement. Further, any reinstatement of a Subsidiary Guaranty or Lien pursuant to the terms hereof shall comply with the terms of **Sections 9.7** and **9.8** hereof. The Company shall promptly notify the holders of the Notes of any release of a Subsidiary Guaranty pursuant to this **Section 2.2(e)** and shall deliver evidence of any release or discharge of a guaranty or Lien in customary form.

*Section 2.3. Subsequent Sales.* At any time, and from time to time, the Company and one or more Eligible Purchasers may enter into an agreement substantially in the form of the Supplemental Note Purchase Agreement attached hereto as **Exhibit 2.3** (a "*Supplemental Note Purchase Agreement*") in which the Company shall agree to sell to each such Eligible Purchaser named on the Supplemental Purchaser Schedule attached thereto (collectively, the "*Supplemental Purchasers*") and, subject to the terms and conditions herein and therein set forth, each such Supplemental Purchaser shall agree to purchase from the Company the aggregate principal amount of the Series of Supplemental Notes (which series shall aggregate not less than \$5,000,000 and may consist of more than one different and separate tranches, but all such different and separate tranches of the same Series shall constitute one Series) described in such Supplemental Note Purchase Agreement and set opposite such Supplemental Purchaser's name in the Supplemental Purchaser Schedule attached thereto at the price and otherwise under the terms set forth in such Supplemental Note Purchase Agreement. The sale of the Supplemental Notes of the Series described in such Supplemental Note Purchase Agreement will take place at the location, date and time set forth therein at a closing (a "*Supplemental Closing*"). At such Supplemental Closing the Company will deliver to each such Supplemental Purchaser one or more Notes of the Series to be purchased by such Supplemental Purchaser registered in such Supplemental Purchaser's name (or in the name of its nominee), evidencing the aggregate principal amount of Notes of such Series to be purchased by such Supplemental Purchaser and in the denomination or denominations specified with respect to such Supplemental Purchaser in such Supplemental Purchaser Schedule against payment of the purchase price thereof by transfer of immediately available funds for credit to the Company's account on the date of such Supplemental Closing (a "*Supplemental Closing Date*") (as specified in a notice to each such Supplemental Purchaser at least three Business Days prior to such Supplemental Closing Date).

### SECTION 3. CLOSING.

The sale and purchase of the Series A Notes to be purchased by you and the Other Purchasers shall occur at the offices of Chapman and Cutler LLP, 111 West Monroe Street, Chicago, IL, at 10:00 A.M. (Chicago time), at a closing (the "*Initial Closing*") on December 17, 2003. At the Initial Closing the Company will deliver to you the Series A Notes in the tranche to be purchased by you in the form of a single Series A Note for each tranche of the Notes to be purchased by you (or such greater number of Series A Notes in denominations of at least \$500,000 as you may request) dated the date of the Initial Closing and registered in your name (or in the name of your nominee), against delivery by you to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to its account at PNC Bank, as

referred to in the written instructions delivered pursuant to **Section 4.12** hereof. If at the Initial Closing the Company shall fail to tender such Series A Notes to you as provided above in this **Section 3**, or any of the conditions specified in **Section 4** shall not have been fulfilled to your satisfaction, you shall, at your election, be relieved of all further obligations under this Agreement, without thereby waiving any rights you may have by reason of such failure or such nonfulfillment. The Initial Closing and each Supplemental Closing are hereinafter sometimes each referred to as “Closing.”

#### SECTION 4. CONDITIONS TO CLOSING.

Your obligation to execute and deliver this Agreement and the obligations of each Initial Purchaser to purchase and pay for the Series A Notes to be sold at the Initial Closing is subject to the fulfillment to your satisfaction prior to or on the date of Initial Closing to the following conditions set forth in this **Section 4**. Each Supplemental Purchaser’s obligation to execute and deliver a Supplemental Note Purchase Agreement and the obligations of each Supplemental Purchaser to purchase and pay for the Notes to be sold at the applicable Supplemental Closing is subject to the fulfillment to such Supplemental Purchasers’ satisfaction prior to or on the date of such Closing, of the following conditions set forth in this **Section 4**.

*Section 4.1. Representations and Warranties.* (a) The representations and warranties of the Company in this Agreement shall be correct when made on the date of the Initial Closing (or if such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date), and, in the case of any Supplemental Closing, the representations and warranties of the Company in this Agreement, as modified by any amendment, supplement or superseding provision pursuant to the Supplemental Note Purchase Agreement shall be correct when made on the date of such Supplemental Closing (or if such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date).

(b) The representations and warranties of each Subsidiary Guarantor in the Subsidiary Guaranty shall be correct when made on the date of the Initial Closing (or if such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date), and, in the case of any Supplemental Closing, the representations and warranties of the Subsidiary Guarantor, as modified by any amendment, supplement or superseding provision pursuant to any supplemental agreement shall be correct when made on the date of such Supplemental Closing (or if such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date).

(c) The representations and warranties of each Pledgor in the Pledge Agreement to which it is a party shall be correct when made on the date of the Initial Closing (or if such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date), and, in the case of any Supplemental Closing, the representations and warranties of the Pledgor as modified by any amendment, supplement or superseding provision pursuant to any supplemental agreement shall be correct when made on the date of such Supplemental Closing (or if such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date).



*Section 4.2. Performance; No Default.* (a) The Company shall have performed and complied with all material agreements and conditions contained in this Agreement (or in the applicable Supplemental Note Purchase Agreement) required to be performed or complied with by it prior to or at the time of such applicable Closing, and after giving effect to the issue and sale of the Notes (and the application of the proceeds thereof as contemplated by **Schedule 5.14**), no Default or Event of Default shall have occurred and be continuing.

(b) Each Subsidiary Guarantor shall have performed and complied with all material agreements and conditions contained in the Subsidiary Guaranty required to be performed and complied with by it prior to or at the time of such applicable Closing, and after giving effect to the issue and sale of Notes (and the application of the proceeds thereof as contemplated by **Schedule 5.14**), no Default or Event of Default shall have occurred and be continuing.

(c) Each Pledgor shall have performed and complied with all material agreements and conditions contained in the Pledge Agreement required to be performed and complied with by it prior to or at the time of such applicable Closing, and after giving effect to the issuance and sale of the Notes (and the application of the proceeds thereof as contemplated by **Schedule 5.14**), no Default or Event of Default shall have occurred and be continuing.

*Section 4.3. Compliance Certificates.*

(a) *Officer's Certificate.* The Company shall have delivered to you an Officer's Certificate, dated the date of such applicable Closing, certifying that the conditions specified in **Sections 4.1(a), 4.2(a)** and **4.11** have been fulfilled.

(b) *Subsidiary Guarantor Officer's Certificate.* Each Subsidiary Guarantor shall have delivered to you a certificate of an authorized officer, dated the date of such applicable Closing certifying that the conditions set forth in **Sections 4.1(b), 4.2(b)** and **4.11** have been fulfilled.

(c) *Pledgor Officer's Certificate.* Each Pledgor shall have delivered to you a certificate of an authorized officer, dated the date of such applicable Closing certifying that the conditions set forth in **Sections 4.1(c), 4.2(c)** and **4.11** have been fulfilled.

(d) *Authorization Certificate.* The Company shall have delivered to you a certificate dated the date of such applicable Closing certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Notes, the Agreement, the Other Agreements or the Supplemental Note Purchase Agreement, as the case may be, and the Security Documents to which it is a party.

(e) *Subsidiary Guarantor Authorization Certificate.* Each Subsidiary Guarantor shall have delivered to you a certificate dated the date of such applicable Closing, certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Subsidiary Guaranty.

(f) *Pledgor Authorization Certificate.* Each Pledgor shall have delivered to you a certificate dated the date of such applicable Closing, certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Pledge Agreement.

*Section 4.4. Opinions of Counsel.* You shall have received opinions in form and substance satisfactory to you, dated the date of such applicable Closing (a) from Jones Day, counsel for the Company, the Subsidiary Guarantors and the Pledgors, and/or such other counsel for the Company, the Subsidiary Guarantors and the Pledgors, which may include in-house counsel, covering the matters set forth in **Exhibit 4.4(a)** (and the Company hereby instructs its counsel to deliver such opinion to you) and (b) from Chapman and Cutler LLP, your special counsel in connection with such transactions, substantially in the form set forth in **Exhibit 4.4(b)** and covering such other matters incident to such transactions as you may reasonably request.

*Section 4.5. Purchase Permitted By Applicable Law, Etc.* On the date of such applicable Closing your purchase of Notes shall (a) be permitted by the laws and regulations of each jurisdiction to which you are subject, without recourse to provisions (such as Section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (b) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject you to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date of the applicable Closing. If requested by you, you shall have received an Officer's Certificate certifying as to such matters of fact as you may reasonably specify to enable you to determine whether such purchase is so permitted.

*Section 4.6. Sale of Other Notes.* Contemporaneously with such applicable Closing, the Company shall sell to the Other Purchasers, and the Other Purchasers shall purchase, the Notes to be purchased by them at such Closing as specified in **Schedule A** to this Agreement or the Supplemental Note Purchase Agreement, as the case may be.

*Section 4.7. Bank Credit Agreement, Security Documents, Etc.* (a) All necessary consents and acknowledgements relating to the Bank Credit Agreement, the Security Documents and the Intercreditor Agreement shall be in form and substance satisfactory to you and your special counsel, shall have been duly executed and delivered by the parties thereto and shall be in full force and effect and you shall have received true, correct and complete copies of each thereof.

(b) At each Supplemental Closing, the Security Documents (including, without limitation, the Subsidiary Guaranty) and the Intercreditor Agreement shall be amended and/or supplemented as necessary to include the Supplemental Notes thereunder.

*Section 4.8. Filing and Recording.* The Collateral Documents (and/or financing statements or similar notices thereof if and to the extent permitted or required by applicable law) and the collateral described therein shall have been recorded or filed for record in such public offices or otherwise maintained in the possession of the appropriate party, as the case may be, as may be required pursuant to the terms of the Intercreditor Agreement.

*Section 4.9. Payment of Special Counsel Fees.* Without limiting the provisions of **Section 15.1**, the Company shall have paid on or before the date of such applicable Closing the fees, charges and disbursements of your special counsel referred to in **Section 4.4** to the extent reflected in a statement of such counsel rendered to the Company at least two Business Days prior to such Closing.

*Section 4.10. Private Placement Number.* A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners) shall have been obtained for each tranche of the Series of Notes then to be issued.

*Section 4.11. Changes in Corporate Structure.* Other than as permitted by the terms of this Agreement after the Initial Closing, the Company, the Subsidiary Guarantors and the Pledgors shall not have changed their jurisdiction of incorporation or been a party to any merger or consolidation and shall not have succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in **Schedule 5.5**.

*Section 4.12. Funding Instructions.* At least three Business Days prior to the date of such Closing, you shall have received written instructions executed by a Responsible Officer of the Company directing the manner of the payment of funds and setting forth (a) the name and address of the transferee bank, (b) such transferee bank's ABA number, (c) the account name and number into which the purchase price for the Notes is to be deposited, (d) the name and telephone number of the account representative responsible for verifying receipt of such funds and (e) any other information that may be required to effect such transfer.

*Section 4.13. Proceedings and Documents.* All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to you and your special counsel, and you and your special counsel shall have received all such counterpart originals or certified or other copies of such documents as you or they may reasonably request.

#### SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to you on the date of the Initial Closing those representations and warranties set forth in **Sections 5.1** through **Section 5.18**:

The Purchasers and the holders of the Notes recognize and acknowledge that the Company may supplement or amend, as appropriate, the following representations and warranties, as well as the schedules related thereto, pursuant to a Supplemental Note Purchase Agreement on the date of each Supplemental Closing; *provided* that no such supplement or amendment to any representation or warranty applicable to any Supplemental Closing shall change or otherwise modify or be deemed or construed to change or otherwise modify any representation or warranty given on the date of the Initial Closing or any determination of the falseness or inaccuracy thereof within the limitations of **Section 11(e)**.

*Section 5.1. Organization; Power and Authority.* The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement, the Other Agreements, the Notes and the Security Documents to which it is a party and to perform the provisions hereof and thereof.

*Section 5.2. Authorization, Etc.* This Agreement, the Other Agreements, the Notes and the Security Documents to which it is a party have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement constitutes, and upon execution and delivery thereof and upon receipt of consideration therefor each Note will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

*Section 5.3. Disclosure.* The Company, through its agents, Harris Nesbitt and ABN AMRO have delivered to you and each Other Purchaser a copy of a Private Placement Memorandum, dated October 30, 2003 as amended or supplemented (the "*Memorandum*"), relating to the transactions contemplated hereby. This Agreement, the Memorandum, the Securities and Exchange Commission filings, press releases and other documents identified in **Schedule 5.3** and the financial statements listed in **Schedule 5.5**, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in the light of the circumstances under which they were made. Since March 31, 2003, there has been no change in the financial condition, operations, business or properties of the Company or any of its Subsidiaries except changes that individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect.

*Section 5.4. Organization and Ownership of Shares of Subsidiaries.* (a) **Schedule 5.4** is (except as noted therein) a complete and correct list (i) of the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary and (ii) of the Company's Restricted Subsidiaries.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in **Schedule 5.4** as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except as otherwise disclosed in **Schedule 5.4** and except for Liens permitted by **Section 10.3(e)**).

(c) Each Subsidiary identified in **Schedule 5.4** is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

*Section 5.5. Financial Statements.* The Company has delivered to each Purchaser copies of the consolidated financial statements of the Company and its Subsidiaries listed on **Schedule 5.5**. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such financial statements and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments).

*Section 5.6. Compliance with Laws, Other Instruments, Etc.* The execution, delivery and performance by the Company of this Agreement, the Other Agreements, the Notes and the Security Documents to which its is a party will not (a) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Restricted Subsidiary (except the creation of Liens contemplated by the Collateral Documents) under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other Material agreement or instrument to which the Company or any Restricted Subsidiary is bound or by which the Company or any Restricted Subsidiary or any of their respective properties may be bound or affected, (b) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Restricted Subsidiary or (c) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Restricted Subsidiary.

*Section 5.7. Governmental Authorizations, Etc.* No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority by the Company is required in connection with the execution, delivery or performance by the Company of this Agreement, the Other Documents, the Notes or the Security Documents to which it is a party.

*Section 5.8. Litigation; Observance of Statutes and Orders.* (a) Except as disclosed in **Schedule 5.8**, there are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Restricted Subsidiary or any property of the Company or any Restricted Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Restricted Subsidiary is in default under any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws) of any Governmental Authority, which default or violation, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

*Section 5.9. Taxes.* The Company and its Restricted Subsidiaries have filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments payable by them, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (a) the amount of which is not individually or in the aggregate Material or (b) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Restricted Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The federal income tax liabilities of the Company and its Subsidiaries are not subject to further review by the Internal Revenue Service and have been paid, for all fiscal years up to and including the fiscal year ended March 31, 1996.

*Section 5.10. Title to Property; Leases.* The Company and its Restricted Subsidiaries have good and sufficient title to their respective Material properties, including all such properties reflected in the most recent audited balance sheet referred to in **Section 5.5** or acquired by the Company or any Restricted Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement except for those defects in title and Liens that individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. All Material leases are valid and subsisting and are in full force and effect in all material respects.

*Section 5.11. Licenses, Permits, Etc.* Except as disclosed in **Schedule 5.11**, the Company and its Restricted Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that are Material, without known conflict with the rights of others, except for those conflicts that, individually or in the aggregate, would not have a Material Adverse Effect.

*Section 5.12. Compliance with ERISA.* (a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance which have not resulted in and would not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in Section 3 of ERISA), and no event, transaction or condition has occurred or exists that would reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to Section 401(a)(29) or 412 of the Code, other than such liabilities or Liens as would not be individually or in the aggregate reasonably be expected to be Material.

(b) The present value of the aggregate benefit liabilities under each of the Plans subject to ERISA (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities by an amount that would reasonably be expected to have a Material Adverse Effect. The term "benefit liabilities" has the meaning specified in Section 4001 of ERISA and the terms "current value" and "present value" have the meaning specified in section 3 of ERISA.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under Section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) The expected post-retirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by Section 4980B of the Code) of the Company and its Restricted Subsidiaries does not exceed \$60,000,000.

(e) The execution and delivery of this Agreement and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of Section 406 of ERISA or in connection with which a tax could be imposed pursuant to Section 4975(c)(1)(A)-(D) of the Code. The representation by the Company in the first sentence of this **Section 5.12(e)** is made in reliance upon and subject to the accuracy of your representation in **Section 6.2** as to the sources of the funds used to pay the purchase price of the Notes to be purchased by you.

*Section 5.13. Private Offering by the Company.* Neither the Company nor, assuming the accuracy of the Offeree Letters, anyone acting on its behalf has offered the Series A Notes, the Subsidiary Guaranties or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than you, the Other Purchasers and not more than 41 other Institutional Investors, each of which has been offered the Series A Notes at a private sale for investment. Neither the Company nor, assuming the accuracy of the Offeree Letters, anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes or the Subsidiary Guaranties to the registration requirements of Section 5 of the Securities Act.

*Section 5.14. Use of Proceeds; Margin Regulations.* The Company will apply the proceeds of the sale of the Series A Notes as set forth in **Schedule 5.14**. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 5% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not

have any present intention that margin stock will constitute more than 5% of the value of such assets. As used in this Section, the terms “margin stock” and “purpose of buying or carrying” shall have the meanings assigned to them in said Regulation U.

*Section 5.15. Existing Debt.* **Schedule 5.15** sets forth a complete and correct list of all outstanding Debt with an aggregate outstanding principal amount in excess of \$10,000,000 (*provided* that the aggregate amount of all such Debt not listed on **Schedule 5.15** does not exceed \$25,000,000) of the Company and its Restricted Subsidiaries as of September 30, 2003, since which date there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Debt of the Company or its Restricted Subsidiaries. Neither the Company nor any Restricted Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Debt of the Company or such Restricted Subsidiary and no event or condition exists with respect to any Debt of the Company or any Restricted Subsidiary that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Debt to become due and payable before its stated maturity or before its regularly scheduled dates of payment, other than with respect to any such Debt, a default under which would not individually or in the aggregate have a Material Adverse Effect.

*Section 5.16. Foreign Assets Control Regulations, Etc.* Neither the sale of the Notes by the Company hereunder nor its use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto. Without limiting the foregoing, (a) neither the Company nor any Subsidiary (i) is or will become a person whose property or interests in property are blocked pursuant to Section 1 of United States Executive Order 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)) or (ii) to its knowledge after reasonable inquiry, engages or will engage in any dealings or transactions, or be otherwise associated, with any such person and (b) the Company and its Subsidiaries are in compliance, in all Material respects, with the U.S.A. Patriot Act of 2001 (signed into law October 26, 2001).

*Section 5.17. Status under Certain Statutes.* Neither the Company nor any Subsidiary is an “investment company”, nor controlled by an “investment company”, required to be registered under the Investment Company Act of 1940, as amended, or is subject to regulation under the Public Utility Holding Company Act of 1935, as amended, the ICC Termination Act of 1995, as amended, or the Federal Power Act, as amended.

*Section 5.18. Pledge Agreements.* The provisions of the Pledge Agreements and the Intercreditor Agreement are effective to create in favor of the Collateral Agent, for the ratable benefit of the Creditors, a legal, valid and enforceable security interest in all right, title and interest of the Pledgors in the pledged stock described therein; the Collateral Agent has received possession of the stock certificates representing the shares of pledged stock described therein or otherwise has been granted a first priority security interest, registered in the name of the Collateral Agent or otherwise accompanied by undated stock powers duly executed in blank; and the Pledge Agreement constitutes (together with possession by the Collateral Agent of the applicable stock certificates) a fully perfected and continuing first priority Lien on and security interest in all right, title and interest of the Company in the pledged stock described therein.



## SECTION 6. REPRESENTATIONS OF THE PURCHASER.

*Section 6.1. Purchase for Investment.* (a) You represent that (i) you are purchasing the Notes for your own account or for one or more separate accounts maintained by you or for the account of one or more pension or trust funds and not with a view to the distribution thereof; *provided* that the disposition and sale of your or their property shall at all times be within your or their control, (ii) you are a “qualified institutional buyer” within the meaning of Rule 144A(a)(1) under the Securities Act. You understand that the Notes and the Subsidiary Guaranties have not been, and will not be, registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Notes and the Subsidiary Guaranties.

(b) Each Initial Purchaser further represents that in connection with the offer and sale of the Notes:

(i) it, or its representatives, received the Memorandum on or before November 3, 2003;

(ii) its, or its representative’s, decision to submit a bid was made prior to November 11, 2003 or in the case of Teachers Insurance and Annuity Association of America and TIAA-CREF Life Insurance Company, its decision to submit a bid was based on information provided on or before November 10, 2003 and such decision was not influenced in any way by information provided after such date; and

(iii) it, or its representative, was invited to join a “Management Call” to discuss the business of the Company in connection with the Memorandum, the Notes and the Subsidiary Guaranties on November 5, 2003 and either (A) it did participate in such “Management Call” or (B) it had the opportunity to listen, and did listen, to a replay of such “Management Call” prior to November 11, 2003.

*Section 6.2. Source of Funds.* You represent that at least one of the following statements is an accurate representation as to each source of funds (a “Source”) to be used by you to pay the purchase price of the Notes to be purchased by you hereunder:

(a) the Source is an “insurance company general account” within the meaning of Department of Labor Prohibited Transaction Exemption (“PTE”) 95-60 (issued July 12, 1995) and there is no employee benefit plan, treating as a single plan, all plans maintained by the same employer or employee organization, with respect to which the amount of the general account reserves and liabilities for all contracts held by or on behalf of such plan, exceed ten percent (10%) of the total reserves and liabilities of such general account (exclusive of separate account liabilities) plus surplus, as set forth in the NAIC Annual Statement filed with your state of domicile; or

(b) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 (issued January 29, 1990), or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 (issued July 12, 1991) and, except as you have disclosed to the Company in writing pursuant to this paragraph (b), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(c) the Source constitutes assets of an “investment fund” (within the meaning of Part V of the QPAM Exemption) managed by a “qualified professional asset manager” or “QPAM” (within the meaning of Part V of the QPAM Exemption), no employee benefit plan’s assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a Person controlling or controlled by the QPAM (applying the definition of “control” in Section V(e) of the QPAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such QPAM and (ii) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing pursuant to this paragraph (c); or

(d) the Source is a governmental plan; or

(e) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this paragraph (e); or

(f) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this **Section 6.2**, the terms “employee benefit plan”, “governmental plan”, “party in interest” and “separate account” shall have the respective meanings assigned to such terms in Section 3 of ERISA.

#### SECTION 7. INFORMATION AS TO THE COMPANY.

*Section 7.1. Financial and Business Information.* The Company shall furnish to each holder of Notes that is an Institutional Investor:

(a) *Quarterly Statements* — within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of:

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter, and

(ii) consolidated statements of income and cash flows of the Company and its Subsidiaries for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments; *provided* that delivery within the time period specified above of copies of the Company's Quarterly Report on Form 10-Q prepared in compliance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this **Section 7.1(a)**;

(b) *Annual Statements* — within 140 days after the end of each fiscal year of the Company, duplicate copies of,

(i) a consolidated balance sheet of the Company and its Subsidiaries, as at the end of such year, and

(ii) consolidated statements of income and cash flows of the Company and its Subsidiaries, for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, and *provided* that the delivery within the time period specified above of the Company's Annual Report on Form 10-K for such fiscal year (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this **Section 7.1(b)**;

(c) *SEC and Other Reports* — promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Company or any Subsidiary to public securities holders generally, and (ii) each regular or periodic report, each registration statement that shall have become effective (without exhibits except as expressly requested by such holder), and each final prospectus and all amendments thereto filed by the Company or any Subsidiary with the Securities and Exchange Commission;

(d) *Notice of Default or Event of Default* — promptly, and in any event within five days after a Responsible Officer becoming aware of the existence of any Default or Event of Default, a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) *ERISA Matters* — promptly, and in any event within five days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in Section 4043(b) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(ii) the taking by the PBGC of steps to institute, or the threatening in writing by the PBGC of the institution of, proceedings under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, would reasonably be expected to have a Material Adverse Effect;

(f) *Unrestricted Subsidiaries* — if and for so long as Unrestricted Subsidiaries contribute in the aggregate 10% or more of the Consolidated Total Assets or 10% or more of Consolidated EBITDA in any fiscal period of the Company and its consolidated Subsidiaries, then the Company shall be required, within the respective periods provided in **Sections 7.1(a)** and **7.1(b)**, to provide consolidated financial statements of the Company and its Restricted Subsidiaries pursuant to **Sections 7.1(a)** and **7.1(b)**, without taking into consideration the financial statements pertaining to Unrestricted Subsidiaries, together with a table reflecting eliminations or adjustments required to reconcile such financial statements to the financial statements of the Company and its consolidated Subsidiaries, with the effect and result that financial terms and definitions used in determining compliance with financial covenants herein contained shall apply to the Company and its Restricted Subsidiaries, rather than the Company and its consolidated Subsidiaries;

(g) *Requested Information* — with reasonable promptness, such other available information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under the Notes as from time to time may be reasonably requested by any such holder of Notes, including any such requests in connection with a formal request by the Securities Valuation Office of the NAIC (or any successor to the duties thereof) related to the assignment or maintenance of a designation of a rating with respect to the Notes;

(h) *Supplemental Note Purchase Agreements* - promptly, and in any event within ten Business Days after the issuance of any Supplemental Notes, a correct and complete copy of the Supplemental Note Purchase Agreement executed in connection with such issuance.

*Section 7.2. Officer's Certificate.* Each set of financial statements furnished to a holder of Notes pursuant to **Section 7.1(a)** or **Section 7.1(b)** hereof shall be accompanied or preceded by a certificate of a Senior Financial Officer setting forth:

(a) *Covenant Compliance* — the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of **Sections 10.1** through **Section 10.2** hereof, inclusive, during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence); and

(b) *Event of Default* — a statement that such officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Restricted Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

*Section 7.3. Inspection.* The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) *No Default* — if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Restricted Subsidiaries with a Senior Financial Officer of the Company, and, with the consent of the Company (which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Restricted Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) *Default* — if a Default or Event of Default then exists, at the expense of the Company and upon reasonable prior notice to the Company, to visit and inspect any of the offices or properties of the Company or any Restricted Subsidiary, 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 Senior Financial Officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Restricted Subsidiaries), all at such times and as often as may be reasonably requested in writing.

#### SECTION 8. PREPAYMENT OF THE NOTES.

*Section 8.1. Required Prepayments.* No regularly scheduled prepayment of the principal of any tranche of the Series A Notes is required prior to the final maturity thereof.

*Section 8.2. Optional Prepayments with Make-Whole Amount.* The Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, any Series of the Notes, in an amount not less than 10% of the aggregate principal amount of such Series of the Notes then outstanding (but if in the case of a partial prepayment, then against each tranche within such Series of Notes in proportion to the aggregate principal amount outstanding of each tranche of such Series), at 100% of the principal amount so prepaid, together with interest accrued thereon to the date of such prepayment, plus the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Company will give each holder of the Series of Notes to be prepaid written notice of each optional prepayment under this **Section 8.2** not less than 30 days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify such date, the aggregate principal amount of the Series of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with **Section 8.3**), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of the Series of Notes to be prepaid a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

*Section 8.3. Allocation of Partial Prepayments.* In the case of any partial prepayment of the Notes of any Series pursuant to **Section 8.2**, the principal amount of the Notes of such Series

to be prepaid shall be allocated among each tranche of the Notes of such Series at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts of each tranche of the Notes of such Series not theretofore called for prepayment.

*Section 8.4. Maturity; Surrender; Etc.* In the case of each prepayment of Notes of any Series pursuant to this **Section 8**, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

*Section 8.5. Purchase of Notes.* The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding tranches of the Notes of any Series except (a) upon the payment or prepayment of each tranche of the Notes of such Series in accordance with the terms of this Agreement or the applicable Supplemental Note Purchase Agreement pursuant to which the Notes of such Series were issued or (b) pursuant to an offer to purchase made by the Company or an Affiliate *pro rata* to the holders of all Notes of such Series at the time outstanding upon the same terms and conditions. Any such offer shall provide each holder with sufficient information to enable it to make an informed decision with respect to such offer, and shall remain open for at least 15 Business Days. If the holders of more than 51% of the principal amount of the Notes of such Series then outstanding accept such offer, the Company shall promptly notify the remaining holders of such fact and the expiration date for the acceptance by holders of Notes of such Series of such offer shall be extended by the number of days necessary to give each such remaining holder at least 10 Business Days from its receipt of such notice to accept such offer. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to any provision of this Agreement or the applicable Supplemental Note Purchase Agreement and no Notes may be issued in substitution or exchange for any such Notes.

*Section 8.6. Make-Whole Amount.* The term “*Make-Whole Amount*” means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal; *provided that* the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

“*Called Principal*” means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to **Section 8.2** or has become or is declared to be immediately due and payable pursuant to **Section 12.1**, as the context requires.

“*Discounted Value*” means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with

respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

*“Reinvestment Yield”* means, with respect to the Called Principal of any Note, 0.50% over the yield to maturity implied by (a) the yields reported, as of 10:00 A.M. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as “Page USD” of the Bloomberg Financial Markets Services Screen (or, if not available, any other national recognized trading screen reporting on-line intraday trading in the U.S. Treasury securities) for actively traded on-the-run U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (b) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable, the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded on-the-run U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield will be determined, if necessary, by (i) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (ii) interpolating linearly between (1) the actively traded on-the-run U.S. Treasury security with the maturity closest to and greater than the Remaining Average Life and (2) the actively traded on-the-run U.S. Treasury security with the maturity closest to and less than the Remaining Average Life.

*“Remaining Average Life”* means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (a) such Called Principal into (b) the sum of the products obtained by multiplying (i) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (ii) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

*“Remaining Scheduled Payments”* means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date; *provided* that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to **Section 8.2** or **12.1**.

*“Settlement Date”* means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to **Section 8.2** or has become or is declared to be immediately due and payable pursuant to **Section 12.1**, as the context requires.



## SECTION 9. AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

*Section 9.1. Compliance with Law.* The Company will, and will cause each of its Restricted Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws, and obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

*Section 9.2. Insurance.* The Company will, and will cause each of its Restricted Subsidiaries to, maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as the Company reasonably deems prudent.

*Section 9.3. Maintenance of Properties.* The Company will, and will cause each of its Restricted Subsidiaries to, maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear or any casualty which would not, individually or in the aggregate, have a Material Adverse Effect), so that the business carried on in connection therewith may be properly conducted at all times; *provided* that this Section shall not prevent the Company or any Restricted Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance would not, individually or in the aggregate, have a Material Adverse Effect.

*Section 9.4. Payment of Taxes.* The Company will, and will cause each of its Restricted Subsidiaries to, file all income tax or similar tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies payable by any of them, to the extent such taxes and assessments have become due and payable and before they have become delinquent; *provided* that neither the Company nor any Restricted Subsidiary need pay any such tax or assessment if (a) the amount, applicability or validity thereof is contested by the Company or such Restricted Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Restricted Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (b) the nonpayment of all such taxes and assessments in the aggregate would not reasonably be expected to have a Material Adverse Effect.

*Section 9.5. Corporate Existence, Etc.* Except as permitted by **Section 10.4**, the Company will at all times preserve and keep in full force and effect its corporate existence. Except as permitted by **Sections 10.4** and **10.5**, the Company will at all times preserve and keep in full force and effect the corporate existence of each of its Restricted Subsidiaries (unless merged into the Company or a Restricted Subsidiary) and all rights and franchises of the Company and its Restricted Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise would not, individually or in the aggregate, have a Material Adverse Effect.

*Section 9.6. Notes to Rank Pari Passu.* The Notes and all other obligations under this Agreement of the Company are and at all times shall rank at least *pari passu* in right of payment with all other present and future unsecured Debt (actual or contingent) of the Company which is not expressed to be subordinate or junior in rank to any other unsecured Debt of the Company.

*Section 9.7. Guaranty by Subsidiaries.* The Company will cause each Subsidiary which delivers a Guaranty pursuant to the Bank Credit Agreement or becomes an obligor, co-obligor, borrower or co-borrower under the Bank Credit Agreement to concurrently enter into a Subsidiary Guaranty, and within three Business Days thereafter will deliver to each of the holders of the Notes the following items:

- (a) an executed counterpart of the joinder agreement pursuant to which such Subsidiary has become bound by the Subsidiary Guaranty;
- (b) a certificate signed by the President, a Vice President or another authorized Responsible Officer of such Subsidiary making representations and warranties to the effect of those contained in **Sections 5.1, 5.2, 5.6** and **5.7**, but with respect to such Subsidiary and the Subsidiary Guaranty, as applicable;
- (c) such documents and evidence with respect to such Subsidiary as the Required Holders may reasonably request in order to establish the existence and good standing of such Subsidiary and the authorization of the transactions contemplated by the Subsidiary Guaranty; and
- (d) an opinion of counsel satisfactory to the Required Holders to the effect that such Subsidiary Guaranty has been duly authorized, executed and delivered and constitutes the legal, valid and binding contract and agreement of such Subsidiary enforceable in accordance with its terms, except as an enforcement of such terms may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles.

*Section 9.8. Stock Pledges.* If at any time, pursuant to the terms and conditions of the Bank Credit Agreement, the Company or any existing or newly acquired or formed Subsidiary shall pledge, grant, assign or convey to the Banks, or any one or more of them, a Lien on the

stock of any foreign Subsidiary, the Company or such Subsidiary shall execute and concurrently deliver to the Collateral Agent for the benefit of the holders of the Notes a stock pledge in substantially the same form as delivered to the Banks, or any one or more of them, or the lien granted for the benefit of the Banks shall also be for the benefit of the holders of the Notes and the Company shall deliver, or shall cause to be delivered, to the holders of the Notes (a) all such certificates, resolutions, legal opinions and other related items in substantially the same forms as those delivered to and accepted by the Banks and (b) all such amendments to this Agreement, the Intercreditor Agreement and the Collateral Documents as may reasonably be deemed necessary by the holders of the Notes in order to reflect the existence of such Lien on the shares of foreign Subsidiary stock and the Company's compliance with the requirements of **Section 9.6** with respect to any such stock pledge granted to or for the benefit of the holders of the Notes and to or for the benefit of the Banks.

#### SECTION 10. NEGATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

*Section 10.1. Consolidated Net Worth.* The Company will, based on the financial statements for the most recently completed fiscal quarter, at all times keep and maintain Consolidated Net Worth at an amount not less than \$440,000,000.

*Section 10.2. Limitations on Debt.* (a) The Company will not, and will not permit any Restricted Subsidiary to, create, issue, assume, guarantee or otherwise incur or in any manner become liable in respect of any Debt unless at the time of issuance thereof and after giving effect thereto and to the applications of the proceeds thereof the ratio of (i) Consolidated Total Debt to (ii) Consolidated EBITDA for the immediately preceding four consecutive fiscal quarter period would not exceed 3.25 to 1.0.

(b) The Company will not, and will not permit any Restricted Subsidiary to, create, issue, assume, guarantee or otherwise incur or in any manner become liable in respect of any Priority Debt, except:

(i) Guaranties issued by a Restricted Subsidiary guaranteeing Debt of the Company; provided that the beneficiaries of such Guaranty are parties to the Intercreditor Agreement; provided further, for clarification, that any Guaranties issued by a Restricted Subsidiary, the beneficiaries of which are not parties to the Intercreditor Agreement, shall be included in Priority Debt;

(ii) Debt of a Restricted Subsidiary outstanding as of the date of the Initial Closing and (1) described on **Schedule 5.15** or (2) with an aggregate outstanding principal amount not in excess of \$10,000,000;

(iii) Debt of a Restricted Subsidiary owing to the Company or to any Wholly-Owned Restricted Subsidiary;

(iv) Debt of a Restricted Subsidiary which becomes a Restricted Subsidiary after the date of the Initial Closing to the extent such Debt existed at the time such Person became a Restricted Subsidiary, *provided* that such Debt was not incurred in contemplation of such Person becoming a Restricted Subsidiary; and

(v) additional Priority Debt, if after giving effect thereto and to the application of the proceeds thereof, (1) the aggregate amount of all Priority Debt (including the Priority Debt then to be created, issued, assumed, guaranteed or otherwise incurred) does not exceed 20% of Consolidated Total Capitalization, and (2) no Default or Event of Default would exist.

(c) The foregoing restrictions contained in **Sections 10.2(a)** and **10.2(b)** shall not apply to the renewal, extension or refinancing of any Debt of the Company or a Restricted Subsidiary which was initially incurred within the limitations of **Section 10.2(a), (b)(ii), (b)(iv) or (b)(v)**; *provided* that such extension, renewal or refunding of Debt shall be without increase in the principal amount remaining unpaid as of the date of such extension, renewal or refunding.

*Section 10.3. Limitation on Liens.* The Company will not, and will not permit any Restricted Subsidiary to, create or incur, or suffer to be incurred or to exist, any Lien on its or their property or assets, whether now owned or hereafter acquired, or upon any income or profits therefrom, or transfer any property for the purpose of subjecting the same to the payment of obligations in priority to the payment of its or their general creditors, or acquire or agree to acquire, or permit any Restricted Subsidiary to acquire, any property or assets upon conditional sales agreements or other title retention devices, except:

(a) Liens for taxes and assessments or governmental charges or levies and Liens securing claims or demands of mechanics and materialmen; *provided* that payment thereof is not at the time required by Section 9.4 or such Liens are being contested in good faith by the Company or any Restricted Subsidiary;

(b) Liens of or resulting from any judgment or award, (i) the time for the appeal or petition for rehearing of which shall not have expired, or (ii) in respect of which the Company or a Restricted Subsidiary shall at all times in good faith be prosecuting an appeal or proceeding for a review and in respect of which a stay of execution pending such appeal or proceeding for review shall have been secured; *provided* that the Company or such Restricted Subsidiary (1) is contesting such judgment or award on a timely basis, in good faith and by appropriate proceedings, and (2) has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Restricted Subsidiary, as the case may be;

(c) Liens incidental to the conduct of business or the ownership of properties and assets (including Liens in connection with worker's compensation, unemployment insurance and other like laws, warehousemen's and attorneys' liens and statutory and contractual landlords' liens) and Liens to secure the performance of bids, tenders or trade contracts, or to secure statutory obligations, surety or appeal bonds or other Liens of like general nature, in any such case incurred in the ordinary course of business and not in

connection with the borrowing of money; provided that (i) any such Lien secures only amounts not due and payable or the payment of which is being contested in good faith by appropriate actions or proceedings and (ii) any such Lien does not materially impair the business of the Company and its Restricted Subsidiaries taken as a whole or the value of the related property for the purposes of such business;

(d) survey exceptions or minor encumbrances, leases or subleases granted to others, easements or reservations, or rights of others for rights-of-way, utilities and other similar purposes, or zoning or other restrictions as to the use of real properties, (i) which are necessary for the conduct of the activities of the Company and its Restricted Subsidiaries or which customarily exist on properties of corporations engaged in similar activities and similarly situated and (ii) which do not in any event materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries taken as a whole;

(e) Liens created or incurred under the Collateral Documents and Liens granted to the Agent or the Banks in connection with the Bank Credit Agreement which, in each case, are subject to the terms of the Intercreditor Agreement;

(f) Liens existing as of the date of the Initial Closing and (1) described on Schedule 5.15 hereto or (2) securing Debt with an aggregate outstanding principal amount not in excess of \$10,000,000;

(g) Liens created or incurred after the date of the Initial Closing given to secure the payment of all or a portion of the purchase price incurred in connection with the acquisition or purchase or the cost of construction of property or of assets useful and intended to be used in carrying on the business of the Company or a Restricted Subsidiary, including Liens existing on such property or assets at the time of acquisition thereof or at the time of completion of construction, as the case may be, whether or not such existing Liens were given to secure the payment of the acquisition or purchase price or cost of construction, as the case may be, of the property or assets to which they attach; *provided* that (i) the Lien shall attach solely to the property or assets acquired, purchased or constructed, (ii) such Lien shall have been created or incurred within 12 months of the date of acquisition or purchase or completion of construction, as the case may be, (iii) at the time of acquisition or purchase or of completion of construction of such property or assets, the aggregate amount remaining unpaid on all Debt secured by Liens on such property or assets, whether or not assumed by the Company or a Restricted Subsidiary, shall not exceed an amount equal to 100% of the lesser of the total purchase price or fair market value at the time of acquisition or purchase (as determined in good faith by the Board of Directors of the Company) or the cost of construction on the date of completion thereof, (iv) Debt secured by any such Lien shall have been created or incurred within the applicable limitations provided in **Section 10.2**, and (v) at the time of creation, issuance, assumption, guarantee or incurrence of the Debt secured by such Lien and after giving effect thereto and to the application of the proceeds thereof, no Default or Event of Default would exist;

(h) any Lien created or incurred after the date of the Initial Closing in favor of any Governmental Authority to secure payments pursuant to any contract;

(i) Liens created or incurred after the date of the Initial Closing given to secure Debt of the Company or any Restricted Subsidiary in addition to the Liens permitted by the preceding clauses (a) through (h) hereof; provided that (i) all Debt secured by such Liens shall have been incurred within the limitations provided in Sections 10.2(a) and (b)(v) and (ii) at the time of creation, issuance, assumption, guarantee or incurrence of the Debt secured by such Lien and after giving effect thereto and to the application of the proceeds thereof, no Default or Event of Default would exist;

(j) Liens on property or assets of (1) a Restricted Subsidiary to secure obligations of such Restricted Subsidiary to the Company or a Wholly-Owned Restricted Subsidiary or (2) the Company to secure obligations of the Company to a Wholly-Owned Restricted Subsidiary;

(k) any extension, renewal or refunding of any Lien permitted by the preceding clauses (a) through (j) of this **Section 10.3** in respect of the same property theretofore subject to such Lien in connection with the extension, renewal or refunding of the Debt secured thereby; *provided* that (i) such extension, renewal or refunding of Debt shall be without increase in the principal amount remaining unpaid as of the date of such extension, renewal or refunding, (ii) such Lien shall attach solely to the same or substitute such property, and (iii) at the time of such extension, renewal or refunding and after giving effect thereto, no Default or Event of Default would exist; and

(l) customary provisions in joint venture or similar agreements restricting the sale or transfer of the interest in such joint venture or other similar entity.

*Section 10.4. Mergers and Consolidations, Etc.* The Company will not, and will not permit any Restricted Subsidiary to, consolidate with or be a party to a merger with any other Person, or sell, lease or otherwise dispose of all or substantially all of its assets; *provided* that:

(a) any Restricted Subsidiary may merge or consolidate with or into, or transfer all or substantially all of its assets to, the Company or any Restricted Subsidiary so long as in (i) any merger or consolidation involving the Company, the Company shall be the surviving or continuing entity and (ii) in any merger or consolidation involving a Restricted Subsidiary (and not the Company), the Restricted Subsidiary shall be the surviving or continuing entity and, after giving effect to such merger or consolidation, the Company or one or more Restricted Subsidiaries shall own not less than the same percentage of Voting Stock of the continuing or surviving Restricted Subsidiary as the Company or one or more Restricted Subsidiaries owned of the merged or consolidated Restricted Subsidiary immediately prior to such merger or consolidation;

(b) the Company may consolidate or merge with or into any other entity if (i) the entity which results from such consolidation or merger (the “*surviving entity*”) is organized under the laws of any state or jurisdiction of the United States or the District of

Columbia, Canada, the United Kingdom, a member of the European Union on the date of this Agreement (other than Greece or Spain), Japan or Australia, (ii) the due and punctual payment of the principal of and premium, if any, and interest on all of the Notes, according to their tenor, and the due and punctual performance and observation of all of the covenants in the Notes, this Agreement and any Supplemental Note Purchase Agreement to be performed or observed by the Company are expressly assumed in writing by the surviving entity, (iii) each of the Subsidiary Guarantors and the Pledgors shall have confirmed in writing the due and punctual performance and observation of all of its covenants and agreements contained in the Subsidiary Guaranty and the Pledge Agreement, as the case may be, and (iv) at the time of such consolidation or merger and immediately after giving effect thereto, (A) no Default or Event of Default would exist and (B) the Company could incur at least \$1.00 of additional Debt pursuant to **Section 10.2(a)**;

(c) the Company may sell or otherwise dispose of all or substantially all of its assets to any Person for consideration which represents the fair market value of such assets (as determined in good faith by the Board of Directors of the Company) at the time of such sale or other disposition if (i) the acquiring Person is an entity organized under the laws of any state or jurisdiction of the United States or the District of Columbia, Canada, the United Kingdom, a member of the European Union on the date of this Agreement (other than Greece or Spain), Japan or Australia, (ii) the due and punctual payment of the principal of and premium, if any, and interest on all the Notes, according to their tenor, and the due and punctual performance and observance of all of the covenants in the Notes, in this Agreement and any Supplemental Note Purchase Agreement to be performed or observed by the Company are expressly assumed in writing by the acquiring entity, (iii) each of the Subsidiary Guarantors and the Pledgors shall have confirmed in writing the due and punctual performance and observation of all of its covenants and agreements contained in the Subsidiary Guaranty and the Pledge Agreement, as the case may be, and (iv) at the time of such sale or disposition and immediately after giving effect thereto, (A) no Default or Event of Default would exist and (B) the Company could incur at least \$1.00 of additional Debt pursuant to **Section 10.2(a)**; and

(d) any Restricted Subsidiary may sell, lease or otherwise dispose of all or substantially all of its assets in connection with a sale, lease or other disposition permitted under **Section 10.5(b)**.

*Section 10.5. Sale of Assets.* The Company will not, and will not permit any Restricted Subsidiary to, sell, lease, transfer, abandon or otherwise dispose of assets (except assets sold, leased, transferred or otherwise disposed of in the ordinary course of business for fair market value and except as provided in **Section 10.4(a)** and **Section 10.4(c)**); *provided* that the foregoing restrictions do not apply to:

(a) the sale, lease, transfer or other disposition of assets of a Restricted Subsidiary to the Company or a Restricted Subsidiary of which the Company or one or more Restricted Subsidiaries shall own not less than the same percentage of Voting Stock as the Company or one or more Restricted Subsidiaries then own of the Restricted Subsidiary making such sale, lease, transfer or other disposition; or

(b) the sale, lease, transfer or other disposition of assets of the Company to a Wholly-Owned Restricted Subsidiary that is a Subsidiary Guarantor and which is not liable for any Priority Debt unless the creditors of such Priority Debt are parties to the Intercreditor Agreement; or

(c) the abandonment of assets of the Company or a Restricted Subsidiary that are no longer useful or intended to be used in the operation of the business of the Company and its Restricted Subsidiaries, *provided* that such abandonment would not, individually or in the aggregate, have a Material Adverse Effect;

(d) the sale, lease, transfer or other disposition of assets for cash or other property to a Person or Persons if all of the following conditions are met:

(i) such assets (valued at net book value) do not, together with all other assets of the Company and its Restricted Subsidiaries previously disposed of during the previous 12 months (other than in the ordinary course of business), exceed 15% of Consolidated Total Assets, determined as of the end of the immediately preceding fiscal year;

(ii) in the opinion of the Company's Board of Directors in the case of an asset sold, leased, transferred or otherwise disposed of, the value of which asset is Material and a Senior Financial Officer in the case of any asset sold, leased, transferred or otherwise disposed of, the value of which asset is not Material, the sale is for fair value and is in the best interests of the Company; and

(iii) in the event such Person is an Affiliate, the terms of such sale, lease, transfer or disposition are no less favorable to the Company or such Restricted Subsidiary than would be obtained in a transaction with a Person other than an Affiliate; and

(iv) immediately after the consummation of the transaction and after giving effect thereto, no Default or Event of Default would exist;

*provided, however*, that for purposes of the foregoing calculation, there shall not be included any assets the proceeds of which were or are applied within 12 months of the date of sale of such assets to either (y) the acquisition of, or reinvestment in, assets useful and intended to be used in the operation of the business of the Company and its Restricted Subsidiaries and having a fair market value (as determined in good faith by the Board of Directors of the Company in the case of an asset sold, leased, transferred, or otherwise disposed of, the value of which asset is Material and a Senior Financial Officer in the case of any asset sold, leased, transferred or otherwise disposed of, the value of which asset is not Material) at least equal to that of the assets so disposed of or (z) the prepayment or payment of principal and accrued but unpaid interest, if any, and the applicable prepayment premium, if any, of Debt of the Company. It is understood and agreed by the Company that any such proceeds paid and applied to the prepayment of the Notes as hereinabove provided shall be prepaid as and to the extent provided in **Section 8.2**.



*Section 10.6. Transactions with Affiliates.* The Company will not, and will not permit any Restricted Subsidiary to, enter into or be a party to any transaction or arrangement with any Affiliate (including, without limitation, the purchase from, sale to or exchange of property with, or the rendering of any service by or for, any Affiliate other than the Company or another Subsidiary), except upon terms no less favorable to the Company or such Restricted Subsidiary than would be obtained in a transaction with a Person other than an 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 the Company or any Affiliate or (b) any transaction between the Company or a Restricted Subsidiary and another Restricted Subsidiary that the Company reasonably determines in good faith is beneficial to the Company and its Affiliates as a whole that is not entered into for the purpose of hindering the exercise of the rights or remedies of the holders of the Notes.

*Section 10.7. Designation of Subsidiaries.* The Company may designate or redesignate any Unrestricted Subsidiary as a Restricted Subsidiary and may designate or redesignate any Restricted Subsidiary as an Unrestricted Subsidiary; *provided that*:

(a) the Company shall have given not less than 10 days' prior written notice to the holders of the Notes that a Senior Financial Officer has made such determination;

(b) at the time of such designation or redesignation and immediately after giving effect thereto, no Default or Event of Default would exist;

(c) in the case of the designation of a Restricted Subsidiary as an Unrestricted Subsidiary and after giving effect thereto, (i) such Unrestricted Subsidiary so designated shall not, directly or indirectly, own any capital stock of the Company or any Restricted Subsidiary and (ii) such designation shall be deemed a sale of assets and shall be permitted by the provisions of Section 10.5(b);

(d) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary and after giving effect thereto: (i) all outstanding Debt of such Restricted Subsidiary so designated shall be permitted within the applicable limitations of **Section 10.2** (other than **Section 10.2(b)(ii)**, notwithstanding that any such Debt was outstanding as of the date of the Initial Closing, and **Section 10.2(b)(iv)**) and (ii) all existing Liens of such Restricted Subsidiary so designated shall be permitted within the applicable limitations of **Section 10.3** (other than **Section 10.3(f)**, notwithstanding that any such Lien existed as of the date of the Initial Closing);

(e) in the case of the designation of a Restricted Subsidiary as an Unrestricted Subsidiary, such Restricted Subsidiary shall not at any time after the date of the Initial Closing have previously been designated as an Unrestricted Subsidiary more than twice; and

(f) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary, such Unrestricted Subsidiary shall not at any time after the date of the Initial Closing have previously been designated as a Restricted Subsidiary more than twice.

#### SECTION 11. EVENTS OF DEFAULT.

An “*Event of Default*” shall exist if any of the following conditions or events shall occur and be continuing:

- (a) the Company defaults in the payment of any principal or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or
- (b) the Company defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or
- (c) the Company defaults in the performance of or compliance with any term contained in **Sections 10.1** and **10.2**; or
- (d) the Company defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this **Section 11**) or in any Security Document and such default is not remedied within 30 days after the earlier of (i) a Senior Financial Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a “notice of default” and to refer specifically to this paragraph (d) of **Section 11**); or
- (e) any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company in this Agreement or, by a Subsidiary Guarantor in the Subsidiary Guaranty or by a Pledgor in the Pledge Agreement or in any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made and which representation or warranty shall not have been corrected within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a “notice of default” and to refer specifically to this paragraph (e) of **Section 11**); or
- (f) (i) the Company or any Significant Restricted Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Debt that is outstanding in an aggregate principal amount of at least \$20,000,000 beyond any period of grace provided with respect thereto, or (ii) the Company or any Significant Restricted Subsidiary is in default in the performance of or compliance with any term of any evidence of any Debt in an aggregate outstanding principal amount of at least \$20,000,000 or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a

consequence of such default or condition such Debt has become, or has been declared, due and payable before its stated maturity or before its regularly scheduled dates of payment without such acceleration having been rescinded or annulled within any applicable grace period; or

(g) the Company or any Significant Restricted Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction or has an involuntary proceeding or case filed against it and the same shall continue undismissed for a period of 60 days from commencement of such proceeding or case, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or Governmental Authority of competent jurisdiction enters an order appointing, without consent by the Company or any of its Significant Restricted Subsidiaries, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any of its Significant Restricted Subsidiaries, or any such petition shall be filed against the Company or any of its Significant Restricted Subsidiaries, and such order, petition or other such relief remains in effect and shall not be dismissed or stayed for a period of 60 consecutive days; or

(i) a final judgment or judgments for the payment of money aggregating in excess of \$15,000,000 (excluding for purposes of such determination such amount of any insurance proceeds paid or to be paid by or on behalf of the Company or any of its Significant Restricted Subsidiaries 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) are rendered against one or more of the Company and its Significant Restricted Subsidiaries and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the right to appeal has expired; or

(j) if (i) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under Section 412 of the Code, (ii) a notice of intent to terminate any Plan, other than a voluntary termination, shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA Section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA

Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate “amount of unfunded benefit liabilities” (within the meaning of Section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed an amount which would cause a Material Adverse Effect, (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Company or any Restricted Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Restricted Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, would reasonably be expected to have a Material Adverse Effect; or

(k) for any reason whatsoever any Security Document ceases to be in full force and effect including, without limitation, a determination by any Governmental Authority that any Security Document is invalid, void or unenforceable or the Company or any Subsidiary which is a party to any Security Document shall contest or deny in writing the enforceability of any of its obligations under any Security Document to which it is a party (but excluding any Security Document which ceases to be in full force and effect in accordance with and by reason of the express provisions of **Section 2.2(e)**).

As used in **Section 11(j)**, the terms “employee benefit plan” and “employee welfare benefit plan” shall have the respective meanings assigned to such terms in Section 3 of ERISA.

#### SECTION 12. REMEDIES ON DEFAULT, ETC.

*Section 12.1. Acceleration.* (a) If an Event of Default with respect to the Company described in paragraph (g) or (h) of **Section 11** (other than an Event of Default described in clause (i) of paragraph (g) or described in clause (vi) of paragraph (g) by virtue of the fact that such clause encompasses clause (i) of paragraph (g)) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, any holder or holders of more than 51% in principal amount of the Notes at the time outstanding may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in paragraph (a) or (b) of **Section 11** has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Note becoming due and payable under this **Section 12.1**, whether automatically or by declaration, such Note will forthwith mature and the entire unpaid principal amount of such Note, plus (i) all accrued and unpaid interest thereon and (ii) the Make-Whole

Amount determined in respect of such principal amount (to the full extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for), and that the provision for payment of a Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

*Section 12.2. Other Remedies.* If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under **Section 12.1**, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein, in any Note or in any Security Document, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

*Section 12.3. Rescission.* At any time after any Notes have been declared due and payable pursuant to clause (b) or (c) of **Section 12.1**, the holders of not less than 51% in principal amount of the Notes then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the Default Rate, (b) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to **Section 17**, and (c) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this **Section 12.3** will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

*Section 12.4. No Waivers or Election of Remedies, Expenses, Etc.* No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under **Section 15**, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this **Section 12**, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

## SECTION 13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

*Section 13.1. Registration of Notes.* The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

*Section 13.2. Transfer and Exchange of Notes.* Subject to compliance with applicable law, upon surrender of any Note at the principal executive office of the Company for registration of transfer or exchange (and in the case of a surrender for registration of transfer, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of such Note or its attorney duly authorized in writing and accompanied by the address for notices of each transferee of such Note or part thereof), the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) of the same Series (and of the same tranche if such Series has separate tranches) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of **Exhibit 1** or **Exhibit 1.2**, as the case may be. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than \$100,000; *provided* that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than \$100,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representations set forth in **Section 6.1** and **Section 6.2**.

*Section 13.3. Replacement of Notes.* Upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is, or is a nominee for, an original Purchaser or another holder of a Note with a minimum net worth of at least \$50,000,000, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

the Company at its own expense shall execute and deliver, in lieu thereof, a new Note of the same Series (and of the same tranche if such Series has separate tranches), dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

#### SECTION 14. PAYMENTS ON NOTES.

*Section 14.1. Place of Payment.* Subject to **Section 14.2**, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in New York, New York at the principal office of Bank of New York in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

*Section 14.2. Home Office Payment.* So long as you or your nominee shall be the holder of any Note, and notwithstanding anything contained in **Section 14.1** or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, and interest by the method and at the address specified for such purpose below your name in **Schedule A** or in a Supplemental Note Purchase Agreement, as the case may be, or by such other method or at such other address as you shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, you shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to **Section 14.1**. Prior to any sale or other disposition of any Note held by you or your nominee you will, at your election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes of the same Series and tranche pursuant to **Section 13.2**. The Company will afford the benefits of this **Section 14.2** to any Institutional Investor that is the direct or indirect transferee of any Note purchased by you under this Agreement and that has made the same agreement relating to such Note as you have made in this **Section 14.2**.

#### SECTION 15. EXPENSES, ETC.

*Section 15.1. Transaction Expenses.* (a) Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required, local or other counsel) incurred by you and each Other Purchaser or holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement (and/or any Supplemental Note Purchase Agreement), the Notes, any Security Document or the Intercreditor Agreement (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement (and/or any

Supplemental Note Purchase Agreement), the Notes, any Security Document or the Intercreditor Agreement or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement (and/or any Supplemental Note Purchase Agreement), the Notes, any Security Document or the Intercreditor Agreement or by reason of being a holder of any Note, and (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby (and/or any Supplemental Note Purchase Agreement), by the Notes or by any Security Document or the Intercreditor Agreement. The Company will pay, and will save you and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses, if any, of brokers and finders (other than those retained by you).

(b) Without limiting the foregoing, the Company agrees to pay all fees of the Collateral Agent in connection with the preparation, execution and delivery of the Intercreditor Agreement and the Collateral Documents and the transactions contemplated thereby, including but not limited to reasonable attorneys fees; to pay to the Collateral Agent from time to time reasonable compensation for all services rendered by it under the Intercreditor Agreement and the Collateral Documents; to indemnify the Collateral Agent for, and to hold it harmless against, any loss, liability or expense incurred without gross negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the Intercreditor Agreement and Collateral Documents, including, but not limited to, the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties thereunder.

*Section 15.2. Survival.* The obligations of the Company under this **Section 15** will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement (and/or any Supplemental Note Purchase Agreement), the Notes, any Security Document or the Intercreditor Agreement and the termination of this Agreement (and/or any Supplemental Note Purchase Agreement).

#### SECTION 16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement (including any Supplemental Note Purchase Agreement) and the Notes, the purchase or transfer by you of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of you or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement and any Supplemental Note Purchase Agreement and the Notes embody the entire agreement and understanding between you and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.



## SECTION 17. AMENDMENT AND WAIVER.

*Section 17.1. Requirements.* (a) This Agreement (and/or any Supplemental Note Purchase Agreement) and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (a) no amendment or waiver of any of the provisions of **Section 1, 2.1, 2.3, 3, 4, 5** (subject to permitted amendments or supplements pursuant to Supplemental Note Purchase Agreements in respect to Notes issued thereunder), **6** or **21** hereof, or any defined term (as it is used therein), will be effective as to you unless consented to by you in writing, and (b) no such amendment or waiver may, without the written consent of the holder of each Note at the time outstanding affected thereby, (i) subject to the provisions of **Section 12** relating to acceleration or rescission, change the amount, time or allocation of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest or of the Make-Whole Amount on, the Notes, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend any of **Section 8, 11(a), 11(b), 12, 17** or **20**. As used herein and in the Notes, the term “this Agreement” and references thereto shall mean this Agreement as it may from time to time be amended or supplemented and, without limiting the generality of the foregoing, shall include all Supplemental Note Purchase Agreements.

(b) The Collateral Documents may be amended in the manner prescribed in the Intercreditor Agreement, and the Subsidiary Guaranty and the Intercreditor Agreement may be amended in the manner prescribed in each such document, and all amendments to the Security Documents and the Intercreditor Agreement obtained in conformity with such requirements shall bind all holders of the Notes.

*Section 17.2. Solicitation of Holders of Notes.*

(a) *Solicitation.* The Company will provide each holder of the Notes (irrespective of the amount, Series or tranche of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes or of any of the Security Documents or the Intercreditor Agreement. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this **Section 17** or of any of the Security Documents or the Intercreditor Agreement to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) *Payment.* The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise or issue any Guaranty, or grant any security, to any holder of any Series or tranche of Notes as consideration for or as an inducement to the entering into by any holder of Notes of any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or Guaranty or security is concurrently granted, on the same terms, ratably to each of the holders of each Series and tranche of the Notes then outstanding even if such holder did not consent to such waiver or amendment.

*Section 17.3. Binding Effect, Etc.* Any amendment or waiver consented to as provided in this **Section 17** applies equally to all holders of each Series and tranche of Notes and is binding upon them and upon each future holder of any Note of any Series and tranche and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Note of any Series or tranche of Notes nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of each Series and tranche of such Note.

*Section 17.4. Notes Held by Company, Etc.* Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement, the Notes, any Security Document or the Intercreditor Agreement, or have directed the taking of any action provided herein or in the Notes, any Security Document or the Intercreditor Agreement to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

#### SECTION 18. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telefacsimile if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to you or your nominee, to you or it at the address specified for such communications in Schedule A or in a Supplemental Note Purchase Agreement, or at such other address as you or it shall have specified to the Company in writing,

(ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing, or

(iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of Corporate Treasurer, or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this **Section 18** will be deemed given only when actually received.

## SECTION 19. REPRODUCTION OF DOCUMENTS.

This Agreement (including any Supplemental Note Purchase Agreement and any Security Document) and all documents relating thereto (other than the Memorandum), including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by you at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to you, may be reproduced by you by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and you may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by you in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This **Section 19** shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

## SECTION 20. CONFIDENTIAL INFORMATION.

For the purposes of this **Section 20**, “*Confidential Information*” means information delivered to you by or on behalf of the Company or any Subsidiary 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 oral communication) when received by you as being confidential information of the Company or such Subsidiary; *provided* that such term does not include information that (a) was publicly known or otherwise known to you prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by you or any Person acting on your behalf, (c) otherwise becomes known to you other than through disclosure by the Company or any Subsidiary or any other holder of any Note, (d) constitutes financial statements delivered to you under **Section 7.1** that are otherwise publicly available or (e) relates to the “tax treatment” or “tax structure” of the transactions contemplated by this Agreement, as such terms are defined in Section 1.6011-4 of the Treasury Department regulations issued under the Code, and all materials of any kind that are provided to you relating to such tax treatment or tax structure, except to the extent that disclosure of such information is not permitted under any applicable securities laws, and except with respect to any item that contains information concerning the tax treatment or tax structure of a transaction as well as Confidential Information, this clause (e) shall only apply to that portion of the item relating to tax treatment or tax structure. You will maintain the confidentiality of such Confidential Information in accordance with reasonable procedures adopted by you in good faith to protect confidential information of third parties delivered to you; *provided* that you may deliver or disclose Confidential Information to (i) your 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 the administration of the investment represented by your Notes), (ii) your financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance

with the terms of this **Section 20**, (iii) any other holder of any Note, (iv) any Institutional Investor to which you sell or offer to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this **Section 20**), (v) any Person from which you offer to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this **Section 20**), (vi) any federal or state regulatory authority having jurisdiction over you to the extent required, (vii) the National Association of Insurance Commissioners or any similar organization, or any nationally recognized rating agency that requires access to information about your investment portfolio to the extent required or (viii) 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 you, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which you are a party or (z) if an Event of Default has occurred and is continuing, to the extent you may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under your Notes and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this **Section 20** as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee or any other holder that has previously delivered such confirmation), such holder will enter into an agreement with the Company confirming in writing that it is bound by the provisions of this **Section 20**.

#### SECTION 21. SUBSTITUTION OF PURCHASER.

You shall have the right to substitute any one of your Affiliates as the purchaser of the Notes that you have agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both you and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in **Section 6**. Upon receipt of such notice, wherever the word "you" is used in this Agreement (other than in this **Section 21**), such word shall be deemed to refer to such Affiliate in lieu of you. In the event that such Affiliate is so substituted as a purchaser hereunder and such Affiliate thereafter transfers to you all of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer, wherever the word "you" is used in this Agreement (other than in this **Section 21**), such word shall no longer be deemed to refer to such Affiliate, but shall refer to you, and you shall have all the rights of an original holder of the Notes under this Agreement.

#### SECTION 22. MISCELLANEOUS.

*Section 22.1. Successors and Assigns.* All covenants and other agreements contained in this Agreement (including any Supplemental Note Purchase Agreement) by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

*Section 22.2. Payments Due on Non-Business Days.* Anything in this Agreement or the Notes to the contrary notwithstanding, any payment of principal of or Make-Whole Amount or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day.

*Section 22.3. Severability.* 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, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

*Section 22.4. Construction.* Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made by the Company for the purposes of this Agreement, the same shall be done by the Company in accordance with GAAP, to the extent applicable, except where such principles are inconsistent with the requirements of this Agreement.

*Section 22.5. Counterparts.* This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

***Section 22.6. Governing Law.* This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York, excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.**

*Section 22.7. Submission to Jurisdiction; Waiver of Jury Trial.* (a) The Company hereby irrevocably submits and consents to the jurisdiction of the federal court located within the County of New York, State of New York (or if such court lacks jurisdiction, the State courts located therein), and irrevocably agrees that all actions or proceedings relating to this Agreement and the Notes may be litigated in such courts, and the Company waives any objection which it may have based on improper venue or *forum non conveniens* to the conduct of any proceeding in any such court and waives personal service of any and all process upon it, and consents that all such service of process be made by delivery to it at the address of such Person set forth in **Section 18** above or to its agent referred to below at such agent's address set forth below (with a courtesy copy to the Company at the address set forth in **Section 18**) and that service so made shall be deemed to be completed upon actual receipt. The Company hereby irrevocably appoints

CT Corporation System, with an office on the date hereof at 111 Eighth Avenue, New York, New York, 10011, as its agent for the purpose of accepting service of any process within the State of New York. Nothing contained in this section shall affect the right of any holder of Notes to serve legal process in any other manner permitted by law or to bring any action or proceeding in the courts of any jurisdiction against the Company or to enforce a judgment obtained in the courts of any other jurisdiction.

(b) The parties hereto waive any right to have a jury participate in resolving any dispute, whether sounding in contract, tort, or otherwise, between them arising out of, connected with, related to or incidental to the relationship established between them in connection with this Agreement and the Notes, any financing agreement, any loan party document or any other instrument, document or agreement executed or delivered in connection herewith or the transactions related hereto. The parties hereto hereby agree and consent that any such claim, demand, action or cause of action shall be decided by court trial without a jury and that any of them may file an original counterpart or a copy of this Agreement with any court as written evidence of the consent of the parties hereto to the waiver of their right to trial by jury.

\* \* \* \* \*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

STERIS CORPORATION

By  
[Title]

Accepted as of \_\_\_\_\_.

[VARIATION]

By \_\_\_\_\_ Its

INFORMATION RELATING TO INITIAL PURCHASERS

NAME AND ADDRESS OF PURCHASER	SERIES OF NOTES	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
ACACIA LIFE INSURANCE COMPANY 5900 'O' Street Lincoln, Nebraska 68510-2234	Series A-2	\$ 1,000,000

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as "STERIS Corporation, 5.25% Senior Notes, Series A-2, due December 15, 2013, PPN 859152 A@ 9, principal, premium or interest") to:

State Street Bank & Trust Company  
ABA #011-000-028  
BNF: Physical Income Account  
Account #00056143  
Further Credit – Fund #1EJP for Acacia Life Insurance Company  
Reference: CUSIP; Name of Issue with sufficient information to identify the source and application of such funds.

Notices

All notices of payment on or in respect of the Notes and written confirmation of each such payment to be addressed:

Acacia Life Insurance Company  
Ameritas Investment Advisors, Inc.  
390 North Cotner Blvd.  
Lincoln, Nebraska 68505  
Fax Number: (402) 467-6970

All other notices and communications to be addressed to:

Acacia Life Insurance Company  
Ameritas Investment Advisors, Inc.  
390 North Cotner Blvd.  
Lincoln, Nebraska 68505

Name of Nominee in which Notes are to be issued: Chimebridge & Co.

Taxpayer I.D. Number for Chimebridge & Co.: 65-1186790

Taxpayer I.D. Number: 53-0022880

SCHEDULE A  
(to Note Purchase Agreement)



NAME AND ADDRESS OF PURCHASER	SERIES OF NOTES	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
<b>AMERICAN UNITED LIFE INSURANCE COMPANY</b> One American Square Post Office Box 368 Indianapolis, Indiana 46206-0368 Attention: Christopher D. Pahlke, Securities Department <i>Overnight mailing address:</i> One American Square Indianapolis, Indiana 46282	Series A-1	\$ 4,000,000

**Payments**

All payments to be made by crediting in the form of federal funds banks wire transfer, with sufficient information to identify the source and application of funds (identifying each payment as “STERIS Corporation, 4.20% Senior Notes, Series A-1, due December 15, 2008, PPN 859152 A\* 1, principal, premium or interest”) the following account:

Bank of New York  
 Attention: P&I Department  
 One Wall Street, 3rd Floor, Window A  
 New York, New York 10286  
 ABA #021000018, BNF:IOC566

Payments should contain sufficient information to identify the breakdown of principal and interest and should identify the full description of the bond and the payment date.

**Notices**

All notices and communications, including notices with respect to payments and written confirmation of each such payment, to be addressed as first provided above.

Name of Nominee in which Notes are to be issued: None  
 Taxpayer I.D. Number: 35-0145825

NAME AND ADDRESS OF PURCHASER	SERIES OF NOTES	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
<b>AMERITAS LIFE INSURANCE CORP.</b> 5900 'O' Street Lincoln, Nebraska 68510-2234	Series A-2	\$ 2,000,000

**Payments**

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as "STERIS Corporation, 5.25% Senior Notes, Series A-2, due December 15, 2013, PPN 859152 A@ 9, principal, premium or interest") to:

State Street Bank & Trust Company  
 ABA #011-000-028  
 BNF: Physical Income Account  
 Account #00056143  
 Further Credit – Fund #1EJH for Ameritas Life Insurance Corp.  
 Reference: CUSIP; Name of Issue with sufficient information to identify the source and application of such funds.

**Notices**

All notices of payment on or in respect of the Notes and written confirmation of each such payment to be addressed:

Ameritas Life Insurance Corp.  
 Ameritas Investment Advisors, Inc.  
 390 North Cotner Blvd.  
 Lincoln, Nebraska 68505  
 Fax Number: (402) 467-6970

All other notices and communications to be addressed to:

Ameritas Life Insurance Corp.  
 Ameritas Investment Advisors, Inc.  
 390 North Cotner Blvd.  
 Lincoln, Nebraska 68505  
 Attn: James Mikus

Name of Nominee in which Notes are to be issued: Chimeboard & Co.  
 Taxpayer I.D. Number for Chimeboard & Co.: 65-1186912  
 Taxpayer I.D. Number: 47-0098400

NAME AND ADDRESS OF PURCHASER	SERIES OF NOTES	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
<b>EQUITABLE LIFE INSURANCE COMPANY OF IOWA</b> c/o ING Investment Management LLC 100 Washington Avenue South, Suite 1635 Minneapolis, Minnesota 55401-2121 Attention: Robert Boucher Phone Number: (612) 342-3371 Fax Number: (612) 372-5368	Series A-3	\$ 4,000,000

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as “STERIS Corporation, 5.38% Senior Notes, Series A-3, due December 15, 2015, PPN 859152 A# 7, principal, premium or interest”) to:

The Bank of New York  
ABA #021000018  
BFN: IOC 566/Income Collections (for scheduled principal and interest payments)

or

BFN: IOC 565/Income Collections (for all other payments not scheduled principal and interest if certificates are not received by custodian)  
ABA #021000018  
Attention: William Cashman  
Reference: Equitable Life Insurance Company of Iowa  
Account #068071 and PPN 859152 A# 7

Notices

All notices of payment on or in respect of the Notes and written confirmation of each such payment to be addressed:

ING Investment Management LLC  
5780 Powers Ferry Road NW, Suite 300  
Atlanta, Georgia 30327-4349  
Attention: Securities Accounting  
Fax Number: (770) 690-4886

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All other notices and communications to be addressed as first provided above with a copy to:

ING Investment Management LLC  
5780 Powers Ferry Road NW, Suite 300  
Atlanta, Georgia 30327-4349  
Attention: Private Placements  
Fax Number: (770) 690-5057

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 42-0236150

NAME AND ADDRESS OF PURCHASER	SERIES OF NOTES	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
<b>GOLDEN AMERICAN LIFE INSURANCE COMPANY</b> c/o ING Investment Management LLC 100 Washington Avenue South, Suite 1635 Minneapolis, Minnesota 55401-2121 Attention: Robert Boucher Phone Number: (612) 342-3371 Fax Number: (612) 372-5368	Series A-3	\$ 10,000,000

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as “STERIS Corporation, 5.38% Senior Notes, Series A-3, due December 15, 2015, PPN 859152 A# 7, principal, premium or interest”) to:

The Bank of New York  
ABA #021000018  
BFN: IOC 566/Income Collections (for scheduled principal and interest payments)

or

BFN: IOC 565/Income Collections (for all other payments not scheduled principal and interest if certificates are not received by custodian)  
Reference: Golden American Life Insurance Company  
Account #136374 and PPN 859152 A# 7

Notices

All notices of payment on or in respect of the Notes and written confirmation of each such payment to be addressed:

ING Investment Management LLC  
5780 Powers Ferry Road NW, Suite 300  
Atlanta, Georgia 30327-4349  
Attention: Securities Accounting  
Fax Number: (770) 690-4886

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All other notices and communications to be addressed as first provided above with a copy to:

ING Investment Management LLC  
5780 Powers Ferry Road NW, Suite 300  
Atlanta, Georgia 30327-4349  
Attention: Private Placements  
Fax Number: (770) 690-5057

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 41-0991508

NAME AND ADDRESS OF PURCHASER	SERIES OF NOTES	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
<b>LIFE INSURANCE COMPANY OF GEORGIA</b> c/o ING Investment Management LLC 100 Washington Avenue South, Suite 1635 Minneapolis, Minnesota 55401-2121 Attention: Robert Boucher Phone Number: (612) 342-3371 Fax Number: (612) 372-5368	Series A-3	\$ 2,000,000

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as “STERIS Corporation, 5.38% Senior Notes, Series A-3, due December 15, 2015, PPN 859152 A# 7, principal, premium or interest”) to:

The Bank of New York  
ABA #021000018  
BFN: IOC 566 (for scheduled principal and interest payments)

or

BFN: IOC 565 (for all other payments not scheduled principal and interest if certificates are not received by custodian)  
Attention: PP P&I Department  
Reference: Life Insurance Company of Georgia  
Account #215306 and PPN 859152 A# 7

Notices

All notices of payment on or in respect of the Notes and written confirmation of each such payment to be addressed:

ING Investment Management LLC  
5780 Powers Ferry Road NW, Suite 300  
Atlanta, Georgia 30327-4349  
Attention: Securities Accounting  
Fax Number: (770) 690-4886

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All other notices and communications to be addressed as first provided above with a copy to:

ING Investment Management LLC  
5780 Powers Ferry Road NW, Suite 300  
Atlanta, Georgia 30327-4349  
Attention: Private Placements  
Fax Number: (770) 690-5057

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 58-0298930



NAME AND ADDRESS OF PURCHASER	SERIES OF NOTES	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
<b>MONY LIFE INSURANCE COMPANY OF AMERICA</b> c/o MONY Life Insurance Company 1740 Broadway New York, New York 10019 Attention: Capital Management Unit Fax Number: (212) 708-2491	Series A-2	\$ 10,000,000

Payments

All payments in respect of the Note issued in the name of J. ROMEO & Co. to be made by bank wire or intra-bank transfer of Federal or other funds to (identifying each payment as “STERIS Corporation, 5.25% Senior Notes, Series A-2, due December 15, 2013, PPN 859152 A@ 9, principal, premium or interest”) the following account:

JP Morgan Chase  
ABA #021000021  
for credit to Private Income Processing Account No. 900 9000 200  
for further credit to account G52964 in respect of  
principal in the amount of \_\_\_\_\_ and  
interest in the amount of \_\_\_\_\_ on the Note

Notices

All notices of payment on or in respect of the Notes and written confirmation of each such payment to:

IF BY REGULAR MAIL, REGISTERED MAIL, CERTIFIED MAIL OR FEDERAL EXPRESS TO :

JP Morgan Chase  
14201 N. Dallas Parkway  
13th Floor  
Dallas, Texas 75254-2917

IF BY FAX TO:

JP Morgan Chase  
(469) 477-1904

WITH A SECOND COPY TO:

MONY Life Insurance Company of America  
c/o MONY Life Insurance Company  
1740 Broadway  
New York, New York 10019  
Attention: Securities Custody Division  
M.D. 7-41

IF BY FAX TO:

(212) 708-2152  
Attention: Securities Custody Division  
M.D. 7-41

Addresses for all other communications:

MONY Capital Management, Inc.  
c/o MONY Life Insurance Company  
1740 Broadway  
New York, New York 10019  
Telecopy No.: (212) 708-2491

Name of Nominee in which Notes are to be issued: J. ROMEO & Co.

Taxpayer I.D. Number: 86-0222062

NAME AND ADDRESS OF PURCHASER	SERIES OF NOTES	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
<b>PIONEER MUTUAL LIFE INSURANCE COMPANY</b> c/o American United Life Insurance Company Post Office Box 368 Indianapolis, Indiana 46206-0368 Attention: Christopher D. Pahlke, Securities Department <i>Overnight Mailing Address:</i> One American Square Indianapolis, Indiana 46282	Series A-1	\$ 500,000

**Payments**

All payments to be made by crediting in the form of federal funds banks wire transfer, with sufficient information to identify the source and application of funds (identifying each payment as “STERIS Corporation, 4.20% Senior Notes, Series A-1, due December 15, 2008, PPN 859152 A\* 1, principal, premium or interest”) the following account:

Bank of New York  
Attention: P&I Department  
One Wall Street, 3rd Floor  
Window A  
New York, New York 10286  
ABA #021000018, BNF:IOC566  
Pioneer Mutual c/o American United Life

Payments should contain sufficient information to identify the breakdown of principal and interest and should identify the full description of the bond and the payment date.

**Notices**

All notices and communications, including notices with respect to payments and written confirmation of each such payment, to be addressed as first provided above.

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 45-0220640

NAME AND ADDRESS OF PURCHASER	SERIES OF NOTES	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
<b>PRIMERICA LIFE INSURANCE COMPANY</b> 242 Trumbull Street P.O. Box 150449 Hartford, Connecticut 06115-0449 Attention: Private Placements, 7 <sup>th</sup> Floor Facsimile: (860) 308-8547	Series A-2	\$ 2,500,000

Payments

All payments to be made by crediting in the form of federal funds banks wire transfer, with sufficient information to identify the source and application of funds (identifying each payment as “STERIS Corporation, 5.25% Senior Notes, Series A-2, due December 15, 2013, PPN 859152 A@ 9, principal, premium or interest”) the following account:

Primerica Life Insurance Company Account No. 910-2-790079  
 JP Morgan Chase Bank  
 One Chase Manhattan Plaza  
 New York, New York 10081  
 ABA No. 021000021

Notices

All notices and communications to be addressed as first provided above, except notices with respect to payment should be directed to

Primerica Life Insurance Company  
 242 Trumbull Street  
 P.O. Box 150449  
 Hartford, Connecticut 06115-0449  
 Attention: Cashier, 5<sup>th</sup> Floor  
 Facsimile: (860) 308-8556

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 04-1590590

NAME AND ADDRESS OF PURCHASER	SERIES OF NOTES	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
<b>THE PRUDENTIAL INSURANCE COMPANY OF AMERICA</b> c/o Prudential Capital Group Two Prudential Plaza, Suite 5600 180 N. Stetson Avenue Chicago, IL 60601 Attention: Managing Director	Series A-1	\$ 15,000,000

Payments

All payments on account of Notes held by such purchaser shall be made by wire transfer of immediately available funds for credit (identifying each payment as “STERIS Corporation, 4.20% Senior Notes, Series A-1, due December 15, 2008, PPN 859152 A\* 1, principal, premium or interest”) to:

Account No.: 890-0304-391  
The Bank of New York  
New York, NY  
(ABA No.: 021-000-018)

Each such wire transfer shall set forth the name of the Company, a reference to “4.20% Senior Secured Notes due 2008, Security No. !INV 8749!” and the due date and application (as among principal, interest and Make-Whole Amount) of the payment being made.

Notices

Addresses for all notices relating to payments:

The Prudential Insurance Company of America  
c/o Investment Operations Group  
Gateway Center Two, 10<sup>th</sup> Floor  
100 Mulberry Street  
Newark, New Jersey 07102-4077  
Attention: Manager, Billings and Collections

All notices and communications to be addressed as first provided above.

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Recipient of telephonic prepayment notices:

Manager, Trade Management Group  
Telephone: (973) 367-3141  
Facsimile: (800) 224-2278

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 22-1211670

NAME AND ADDRESS OF PURCHASER	SERIES OF NOTES	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
<b>RELIASTAR LIFE INSURANCE COMPANY</b> c/o ING Investment Management LLC 100 Washington Avenue South, Suite 1635 Minneapolis, Minnesota 55401-2121 Attention: Robert Boucher Phone Number: (612) 342-3371 Fax Number: (612) 372-5368	Series A-3	\$ 2,000,000

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as “STERIS Corporation, 5.38% Senior Notes, Series A-3, due December 15, 2015, PPN 859152 A# 7, principal, premium or interest”) to:

The Bank of New York  
BFN: IOC 566 – INST’L CUSTODY (for scheduled principal and interest payments)

or

BFN: IOC 565 – INST’L CUSTODY (for all other payments not scheduled principal and interest if certificates are not received by custodian)  
ABA #021000018  
Reference: ReliaStar Life Insurance Company  
Account #187035 and PPN 859152 A# 7

Notices

All notices with respect to payments and written confirmation of each such payment to be addressed:

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ING Investment Management LLC  
5780 Powers Ferry Road NW, Suite 300  
Atlanta, Georgia 30327-4349  
Attention: Securities Accounting  
Fax Number: (770) 690-4886

All other notices and communications to be addressed as first provided above with a copy to:

ING Investment Management LLC  
5780 Powers Ferry Road NW, Suite 300  
Atlanta, Georgia 30327-4349  
Attention: Private Placements  
Fax Number: (770) 690-5057

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 41-0451140



<u>NAME AND ADDRESS OF PURCHASER</u>	<u>SERIES OF NOTES</u>	<u>PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED</u>
<b>SECURITY LIFE OF DENVER INSURANCE COMPANY</b> c/o ING Investment Management LLC 100 Washington Avenue South, Suite 1635 Minneapolis, Minnesota 55401-2121 Attention: Robert Boucher Phone Number: (612) 342-3371 Fax Number: (612) 372-5368	Series A-3	\$ 2,000,000

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as “STERIS Corporation, 5.38% Senior Notes, Series A-3, due December 15, 2015, PPN 859152 A# 7, principal, premium or interest”) to:

The Bank of New York  
ABA #021000018  
BFN: IOC 566 (for scheduled principal and interest payments)

or

BFN: IOC 565 (for all other payments not scheduled principal and interest if certificates are not received by custodian)  
Attention: P&I Department  
Reference: Security Life of Denver Insurance Company  
Account #178157 and PPN 859152 A# 7

Notices

All notices with respect to payments and written confirmation of each such payment to be addressed:

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ING Investment Management LLC  
5780 Powers Ferry Road NW, Suite 300  
Atlanta, Georgia 30327-4349  
Attention: Securities Accounting  
Fax Number: (770) 690-4886

All other notices and communications to be addressed as first provided above with a copy to:

ING Investment Management LLC  
5780 Powers Ferry Road NW, Suite 300  
Atlanta, Georgia 30327-4349  
Attention: Private Placements  
Fax Number: (770) 690-5057

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 84-0499703

NAME AND ADDRESS OF PURCHASER	SERIES OF NOTES	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
<b>THE STATE LIFE INSURANCE COMPANY</b> c/o American United Life Insurance Company Post Office Box 368 Indianapolis, Indiana 46206-0368 Attention: Christopher D. Pahlke, Securities Department <i>Overnight Mailing Address:</i> One American Square Indianapolis, Indiana 46282	Series A-1	\$ 500,000

**Payments**

All payments to be made by crediting in the form of federal funds banks wire transfer, with sufficient information to identify the source and application of funds (identifying each payment as “STERIS Corporation, 4.20% Senior Notes, Series A-1, due December 15, 2008, PPN 859152 A\* 1, principal, premium or interest”) the following account:

Bank of New York  
Attention: P&I Department  
One Wall Street, 3rd Floor  
Window A  
New York, New York 10286  
ABA #021000018, BNF:IOC566  
State Life, c/o American United Life

Payments should contain sufficient information to identify the breakdown of principal and interest and should identify the full description of the bond and the payment date.

**Notices**

All notices and communications, including notices with respect to payments and written confirmation of each such payment, to be addressed as first provided above.

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 35-0684263

\* Please furnish a copy of the final Note via fax prior to closing.

NAME AND ADDRESS OF PURCHASER	SERIES OF NOTES	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
<b>TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA</b> 730 Third Avenue New York, New York 10017-3206	Series A-2	\$ 12,000,000

**Payments**

All payments on or in respect of the certificate shall be made in immediately available funds at the opening of business on the due date by electronic funds transfer (identifying as "STERIS Corporation, 5.25% Senior Notes, Series A-2, due December 15, 2013, PPN 859152 A@ 9, principal, premium or interest") through the Automated Clearing House System to:

Chase Manhattan Bank  
 ABA #021000021  
 New York, NY  
 For deposit to the account of:  
     Teachers Insurance and Annuity Association of America  
     Account Number 900-9000200  
 For Further Credit to TIAA Account # G07040  
 On order of STERIS CORP.  
 Reference: PPN# 859152 A@ 9 /Issuer/Mat. Date/Coupon Rate/P&I Breakdown

Address for all notices in respect of payment:

Contemporaneous with the above electronic funds transfer, mail or fax the following information setting forth: (1) the full name, private placement number interest rate and maturity date of the Notes; (2) the allocation of payment between principal, interest, premium and any special payment; and (3) the name and address of Bank (or Trustee) from which such transfer was sent to:

Teachers Insurance and Annuity Association of America  
 730 Third Avenue  
 New York, New York 10017  
 Attn: Securities Accounting Division  
 Telephone No. (212) 916-6004      Facsimile No. (212) 916-6955

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Address for all other communications:

Teachers Insurance and Annuity Association of America  
730 Third Avenue  
New York, New York 10017  
Attn: Karina Sarmiento, Securities Division, Domestic Private Placements  
Telephone No. (212) 916-6197      Facsimile No. (212) 916-6582

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 13-1624203

NAME AND ADDRESS OF PURCHASER	SERIES OF NOTES	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
TIAA-CREF LIFE INSURANCE COMPANY 730 Third Avenue New York, New York 10017-3206	Series A-1	\$ 5,000,000

Payments

All payments on or in respect of the certificate shall be made in immediately available funds at the opening of business on the due date by electronic funds transfer (identifying as "STERIS Corporation, 4.20% Senior Notes, Series A-1, due December 15, 2008, PPN 859152 A\* 1, principal, premium or interest") through the Automated Clearing House System to:

JP Morgan Chase Bank  
 ABA #021-000-021  
 New York, NY  
 For deposit to the account of:  
 T-C Life GFA Private Placements Securities Account  
 Account No. 900-9000200  
 For Further Credit to TIAA Account # G09742  
 On order of: STERIS CORP/  
 Reference: PPN# 859152 A\* 1 /Issuer/Mat. Date/Coupon Rate/P&I Breakdown

Address for all notices in respect of payment:

Contemporaneous with the above electronic funds transfer, mail or fax the following information setting forth: (1) the full name, private placement number interest rate and maturity date of the Notes; (2) the allocation of payment between principal, interest, premium and any special payment; and (3) the name and address of Bank (or Trustee) from which such transfer was sent to:

TIAA-CREF LIFE INSURANCE COMPANY  
 730 Third Avenue  
 New York, New York 10017  
 Attn: Securities Accounting Division  
 Telephone No. (212) 916-6004      Facsimile No. (212) 916-6955

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Address for all other communications:

TIAA-CREF LIFE INSURANCE COMPANY  
730 Third Avenue  
New York, New York 10017  
Attn: Karina Sarmiento, Securities Division, Domestic Private Placements  
Telephone No. (212) 916-6197      Facsimile No. (212) 907-6582

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 13-3917848

NAME AND ADDRESS OF PURCHASER	SERIES OF NOTES	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
<b>THE TRAVELERS INSURANCE COMPANY</b> 242 Trumbull Street P. O. Box 150449 Hartford, Connecticut 06115-0449 Attention: Private Placements, 7 <sup>th</sup> Floor Telefacsimile: (860) 308-8547	Series A-1 Series A-2	\$ 15,000,000 \$ 10,000,000

Payments

All payments to be made by crediting in the form of federal funds banks wire transfer, with sufficient information to identify the source and application of funds (identifying each payment as “STERIS Corporation, 4.20% Senior Notes, Series A-1, due December 15, 2008, PPN 859152 A\* 1, principal, premium or interest” or “STERIS Corporation, 5.25% Senior Notes, Series, A-2, due December 15, 2013, PPN 859152 A@ 9 principal, premium or interest”, as the case may be, respectively to) the following account:

The Travelers Insurance Company – Consolidated Private  
 Placement Account No. 910-2-587434  
 JPMorgan Chase Bank  
 One Chase Manhattan Plaza  
 New York, New York 10081  
 ABA No. 021000021

Notices

All notices and communications to be addressed as first provided above, except notices with respect to payment should be directed to

The Travelers Insurance Company  
 242 Trumbull Street, P. O. Box 150449  
 Hartford, Connecticut 06115-0449  
 Attention: Cashier, 5<sup>th</sup> Floor  
 Facsimile: (860) 308-8556

Name of Nominee in which Notes are to be issued: TRAL & CO

Taxpayer I.D. Number: 06-0566090 (a Connecticut corporation)



NAME AND ADDRESS OF PURCHASER	SERIES OF NOTES	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
<b>THE TRAVELERS LIFE AND ANNUITY COMPANY</b> 242 Trumbull Street P. O. Box 150449 Hartford, Connecticut 06115-0449 Attention: Private Placements, 7 <sup>th</sup> Floor Telefacsimile: (860) 308-8547	Series A-2	\$ 2,500,000

Payments

All payments to be made by crediting in the form of federal funds banks wire transfer, with sufficient information to identify the source and application of funds (identifying each payment as “STERIS Corporation, 5.25% Senior Notes, Series A-2, due December 15, 2013, PPN 859152 A@ 9, principal, premium or interest”) the following account:

The Travelers Insurance Company – Consolidated Private  
 Placement Account No. 910-2-587434  
 JPMorgan Chase Bank  
 One Chase Manhattan Plaza  
 New York, New York 10081  
 ABA No. 021000021

Notices

All notices and communications to be addressed as first provided above, except notices with respect to payment should be directed to:

The Travelers Life and Annuity Company  
 242 Trumbull Street, P. O. Box 150449  
 Hartford, Connecticut 06115-0449  
 Attention: Cashier, 5<sup>th</sup> Floor  
 Facsimile: (860) 308-8556

Name of Nominee in which Notes are to be issued: TRAL & CO

Taxpayer I.D. Number: 06-0904249

## DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

“*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, or any business or division of any Person, (b) the acquisition in excess of 50% of the stock (or other equity interest) of any Person, or (c) the acquisition of another Person (other than a Company) by a merger or consolidation or any other combination with such Person.

“*Affiliate*” means, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person. As used in this definition, “*Control*” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an “*Affiliate*” is a reference to an Affiliate of the Company.

“*Agent*” means KeyBank National Association, as Agent under the Bank Credit Agreement.

“*Bank Credit Agreement*” means that certain Credit Agreement dated as of March 28, 2002, among the Company, the Agent, LaSalle Bank National Association as Documentation Agent and the other parties thereto, as from time to time supplemented, amended, modified, extended, renewed or replaced.

“*Banks*” means the lending institutions party to the Bank Credit Agreement.

“*Business Day*” means (a) for the purposes of **Section 8.6** only, any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed, and (b) for the purposes of any other provision of this Agreement, any day other than a Saturday, a Sunday or a day on which commercial banks in New York, New York or Cleveland, Ohio are required or authorized to be closed.

“*Capital Lease*” means, at any time, a lease with respect to which the Lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

“*Closing*” is defined in **Section 3**.

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

“*Collateral Agent*” is defined in **Section 2.2(b)**.

## SCHEDULE B (to Note Purchase Agreement)

“Collateral Documents” is defined in **Section 2.2(b)**.

“Company” is defined in the introductory paragraph to this Agreement and shall include any permitted successor thereto.

“Confidential Information” is defined in **Section 20**.

“Consolidated” means the resultant consolidation of the financial statements of the Company and its Restricted Subsidiaries in accordance with GAAP, including principles of consolidation consistent with those applied in preparation of the consolidated financial statements referred to in **Schedule 5.5** 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 the Company for such period, as determined on a Consolidated basis and in accordance with GAAP.

“Consolidated EBIT” means, for any period, on a Consolidated basis, (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 the Company or any Subsidiary 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 the Company or any Subsidiary, for the portion of such period prior to the date of such disposition.

“Consolidated EBITDA” means, for any period, (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 the Company or any Subsidiary 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 the Company or any Subsidiary for the portion of such period prior to the date of such disposition.

“Consolidated Interest Expense” means, for any period, interest expense of the Company for such period, as determined on a Consolidated basis and in accordance with GAAP.

“Consolidated Net Earnings” means, for any period, the net income (loss) of the Company 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 the Company, determined on a Consolidated basis and in accordance with GAAP.

“*Consolidated Total Assets*” means as of the date of any determination thereof, the total amount of assets (less reserves properly deductible), which under GAAP appear on the Consolidated balance sheet of the Company.

“*Consolidated Total Capitalization*” means as of the date of any determination thereof, the sum of (a) Consolidated Total Debt *plus* (b) Consolidated Net Worth.

“*Consolidated Total Debt*” means all Debt of the Company and its Subsidiaries, determined on a Consolidated basis eliminating intercompany items.

“*Creditors*” means the Agent, the Banks and the holders of the Notes.

“*Debt*” with respect to any Person means, at any time, without duplication,

(a) its liabilities for borrowed money;

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable and trade payables arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(c) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases;

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities);

(e) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions (representing obligations for borrowed money and not to secure the performance of bids, tenders or trade contracts); and

(f) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (e) hereof.

“*Default*” means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default that has not been waived by the Required Holders.

“*Default Rate*” means that rate of interest that is 2% per annum above the rate of interest stated in clause (a) of the first paragraph of the Notes.

“*Eligible Purchasers*” means any Initial Purchaser of the Series A Notes and additional Institutional Investors; *provided* that the aggregate number of Eligible Purchasers shall not at any time exceed a number which, if exceeded, would result in the loss of the exemption in respect of any Series of Notes from the registration requirements of the Securities Act.

“*Environmental Laws*” means any and all federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

“*ERISA*” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

“*ERISA Affiliate*” means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under Section 414 of the Code.

“*Event of Default*” is defined in **Section 11**.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

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

“*Governmental Authority*” means

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) any jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

“*Guaranty*” means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person:

- (a) to purchase such indebtedness or obligation or any property constituting security therefor;
- (b) to advance or supply funds (i) for the purchase or payment of such indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such indebtedness or obligation;
- (c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of any other Person to make payment of the indebtedness or obligation; or
- (d) otherwise to assure the owner of such indebtedness or obligation against loss in respect thereof.

In any computation of the indebtedness or other liabilities of the obligor under any Guaranty, the indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

“*holder*” means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to **Section 13.1**.

“*Initial Closing*” is defined in **Section 3**.

“*Initial Purchaser*” is defined in **Section 2.1**.

“*Institutional Investor*” means (a) any original purchaser of a Note, (b) any holder of a Note holding more than 5% of the aggregate principal amount of the Notes then outstanding, and (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form.

“*Intercreditor Agreement*” is defined in **Section 2.2(c)**.

“*Lien*” means, with respect to any Person, any mortgage, lien (statutory or other), pledge or deposit of, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person.

“*Make-Whole Amount*” is defined in **Section 8.6**.

“*Material*” means material in relation to the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole.

“*Material Adverse Effect*” means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole, or (b) the ability of the Company to perform its obligations under this Agreement, any Supplemental Note Purchase Agreement, the Notes and any Security Document to which it is a party, or (c) the validity or enforceability of this Agreement, any Supplemental Note Purchase Agreement, the Notes or any of the Security Documents.

“*Memorandum*” is defined in **Section 5.3**.

“*Multiemployer Plan*” means any Plan that is a “multiemployer plan” (as such term is defined in Section 4001(a)(3) of ERISA).

“*Notes*” is defined in **Section 1**.

“*Offeree Letters*” means those certain letters each dated December 17, 2003 from Harris Nesbitt and ABN AMRO, respectively, setting forth the procedures taken with respect to the offer and sale of the Notes and the Subsidiary Guaranties and any Offerree Letter delivered in connection with a Supplemental Note Purchase Agreement which shall be dated the date on or about the date of any such Supplemental Note Purchase Agreement.

“*Officer’s Certificate*” means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

“*Other Agreements*” is defined in **Section 2.1**.

“*Other Purchasers*” is defined in **Section 2.1**.

“*PBGC*” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

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

“*Plan*” means an “employee benefit plan” (as defined in Section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

“*Pledge Agreements*” is defined in **Section 2.2(b)**.

“*Pledgors*” is defined in **Section 2.2(b)**.

“*Priority Debt*” means (a) any Debt of the Company secured by a Lien created or incurred within the limitations of **Section 10.3(i)**, and (b) any Debt of the Company’s Restricted Subsidiaries other than Qualified Subsidiary Debt.

“*property*” or “*properties*” means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

“*QPAM Exemption*” means Prohibited Transaction Class Exemption 84-14 issued by the United States Department of Labor.

“*Qualified Subsidiary Debt*” means Debt of a Restricted Subsidiary incurred within the limitations of **Section 10.2 (b)(i), (b)(ii), (b)(iii) and (b)(iv)**.

“*Required Holders*” means, at any time, the holders of at least 51% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates).

“*Responsible Officer*” means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

“*Restricted Subsidiary*” means any Subsidiary (a) of which more than 80% (by number of votes) of the Voting Stock is beneficially owned, directly or indirectly, by the Company, and (b) which is designated a “Restricted Subsidiary” on **Schedule 5.4** or pursuant to **Section 10.7**.

“*Securities Act*” means the Securities Act of 1933, as amended from time to time.

“*Security Documents*” is defined in **Section 2.2(b)**.

“*Senior Financial Officer*” means the chief executive officer, chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

“*Series*” means any one of, or any combination of, the Series A Notes and any subsequent Notes of any Series.

“*Series A Notes*” is defined in **Section 1.1**.

“*Series A-1 Notes*” is defined in **Section 1.1**.

“*Series A-2 Notes*” is defined in **Section 1.1**.

“*Series A-3 Notes*” is defined in **Section 1.1**.

“*Significant Restricted Subsidiary*” means at any time any Restricted Subsidiary that would at such time constitute a “Significant Subsidiary” (as such term is defined in Regulation S-X of the Securities and Exchange Commission as in effect on the date of the Closing) of the Company.



“*Subsidiary*” means, as to any Person, any corporation, association or other business entity in which such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to direct policies, management and affairs of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries (unless such partnership can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a “Subsidiary” is a reference to a Subsidiary of the Company.

“*Subsidiary Guarantor*” is defined in **Section 2.2(a)** and shall include any Subsidiary which is required to comply with the requirements of **Section 9.7**.

“*Subsidiary Guaranty*” is defined in **Section 2.2(a)** and shall include any Subsidiary Guaranty delivered pursuant to **Section 9.7**.

“*Supplemental Closing*” is defined in **Section 2.3**.

“*Supplemental Closing Date*” is defined in **Section 2.3**.

“*Supplemental Note Purchase Agreement*” is defined in **Section 2.3**.

“*Supplemental Notes*” is defined in **Section 1.2**.

“*Supplemental Purchaser Schedule*” means the Schedule of Purchasers of any Series of Supplemental Notes which is attached to the Supplemental Note Purchase Agreement relating to such Series.

“*Supplemental Purchasers*” is defined in **Section 2.3**.

“*Unrestricted Subsidiary*” means any Subsidiary which is not a Restricted Subsidiary.

“*Voting Stock*” means securities of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or Persons performing similar functions).

“*Wholly-Owned Restricted Subsidiary*” means, at any time, any Restricted Subsidiary one hundred percent (100%) of all of the equity interests (except directors’ qualifying shares and, in the case of any Subsidiary organized under the laws of a jurisdiction other than the United States, any nominal holdings of shares by any employee, officer, director or other third party as required by law) and voting interests of which are owned by any one or more of the Company and the Company’s other Wholly-Owned Restricted Subsidiaries at such time.

[FORM OF SERIES A-1 NOTE]

STERIS CORPORATION

4.20% Senior Note, Series A-1, due December 15, 2008

No. [\_\_\_\_\_]
\$[\_\_\_\_\_]

[Date]
PPN 859152 A\* 1

FOR VALUE RECEIVED, the undersigned, STERIS CORPORATION (herein called the "Company"), a corporation organized and existing under the laws of the State of Ohio, hereby promises to pay to [\_\_\_\_\_] or registered assigns, the principal sum of [\_\_\_\_\_] DOLLARS on December 15, 2008, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 4.20% per annum from the date hereof, payable semiannually, on the fifteenth day of June and December in each year, commencing with the June 15 or December 15 next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreements referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to 6.20%.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at Bank of New York in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreements referred to below.

This Note is one of the 4.20% Senior Notes, Series A-1, due December 15, 2008 (the "Series A-1 Notes") of the Company in the aggregate principal amount of \$40,000,000 which, together with the Company's \$40,000,000 aggregate principal amount 5.25% Senior Notes, Series A-2, due December 15, 2013 (the "Series A-2 Notes") and \$20,000,000 aggregate principal amount 5.38% Senior Notes, Series A-3, due December 15, 2015 (the "Series A-3 Notes"; the Series A-1 Notes, the Series A-2 Notes and the Series A-3 Notes being hereinafter referred to collectively as the "Series A Notes") issued pursuant to separate Note Purchase Agreements, dated as of December 17, 2003 (as from time to time amended or supplemented, the "Note Purchase Agreements"), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof together with additional Series of Notes from time to time issued thereunder (the "Supplemental Notes", and collectively with the Series A Notes, the "Notes"). Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreements and (ii) to have made the representation set forth in Section 6.1(a), Section 6.2 and, in the case of any Initial Purchaser (as defined in the Note Purchase Agreements), Section 6.1(b) of the Note Purchase Agreements and (iii) to have agreed to the covenants and agreements of the holders set forth in the Note Purchase Agreements.

EXHIBIT 1-A
(to Note Purchase Agreement)

This Note is a registered Note and, as provided in the Note Purchase Agreements, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreements, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreements, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreements.

**This Note shall be construed and enforced in accordance with, and the rights and parties shall be governed by, the law of the State of New York, excluding choice-of-law principles of the law of such State which would require application of the laws of the jurisdiction other than such State.**

STERIS CORPORATION

By  
[Title]

E-1-A-2

[FORM OF SERIES A-2 NOTE]

STERIS CORPORATION

5.25% Senior Note, Series A-2, due December 15, 2013

No. [\_\_\_\_\_]
\$[\_\_\_\_\_]

[Date]
PPN 859152 A@ 9

FOR VALUE RECEIVED, the undersigned, STERIS CORPORATION (herein called the "Company"), a corporation organized and existing under the laws of the State of Ohio, hereby promises to pay to [\_\_\_\_\_] or registered assigns, the principal sum of [\_\_\_\_\_] DOLLARS on December 15, 2013, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 5.25% per annum from the date hereof, payable semiannually, on the fifteenth day of June and December in each year, commencing with the June 15 or December 15 next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreements referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to 7.25%.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at Bank of New York in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreements referred to below.

This Note is one of the 5.25% Senior Notes, Series A-2, due December 15, 2013 (the "Series A-2 Notes") of the Company in the aggregate principal amount of \$40,000,000 which, together with the Company's \$40,000,000 aggregate principal amount 4.20% Senior Notes, Series A-1, due December 15, 2008 (the "Series A-1 Notes") and \$20,000,000 aggregate principal amount 5.38% Senior Notes, Series A-3, due December 15, 2015 (the "Series A-3 Notes"; the Series A-1 Notes, the Series A-2 Notes and the Series A-3 Notes being hereinafter referred to collectively as the "Series A Notes") issued pursuant to separate Note Purchase Agreements, dated as of December 17, 2003 (as from time to time amended or supplemented, the "Note Purchase Agreements"), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof together with additional Series of Notes from time to time issued thereunder (the "Supplemental Notes", and collectively with the Series A Notes, the "Notes"). Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreements and (ii) to have made the representation set forth in Section 6.1(a), Section 6.2 and, in the case of any Initial Purchaser (as defined in the Note Purchase Agreements), Section 6.1(b) of the Note Purchase Agreements and (iii) to have agreed to the covenants and agreements of the holders set forth in the Note Purchase Agreements.

EXHIBIT 1-B
(to Note Purchase Agreement)

This Note is a registered Note and, as provided in the Note Purchase Agreements, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreements, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreements, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreements.

**This Note shall be construed and enforced in accordance with, and the rights and parties shall be governed by, the law of the State of New York, excluding choice-of-law principles of the law of such State which would require application of the laws of the jurisdiction other than such State.**

STERIS CORPORATION

By  
[Title]

E-1-B-2

[FORM OF SERIES A-3 NOTE]

STERIS CORPORATION

5.38% Senior Note, Series A-3, due December 15, 2015

No. [\_\_\_\_\_]
\$[\_\_\_\_\_]

[Date]
PPN 859152 A# 7

FOR VALUE RECEIVED, the undersigned, STERIS CORPORATION (herein called the "Company"), a corporation organized and existing under the laws of the State of Ohio, hereby promises to pay to [\_\_\_\_\_] or registered assigns, the principal sum of [\_\_\_\_\_] DOLLARS on December 15, 2015, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 5.38% per annum from the date hereof, payable semiannually, on the fifteenth day of June and December in each year, commencing with the June 15 or December 15 next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreements referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to 7.38%.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at Bank of New York in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreements referred to below.

This Note is one of the 5.38% Senior Notes, Series A-3, due December 15, 2015 (the "Series A-3 Notes") of the Company in the aggregate principal amount of \$20,000,000 which, together with the Company's \$40,000,000 aggregate principal amount 4.20% Senior Notes, Series A-1, due December 15, 2008 (the "Series A-1 Notes") and \$40,000,000 aggregate principal amount 5.25% Senior Notes, Series A-2, due December 15, 2013 (the "Series A-2 Notes"; the Series A-1 Notes, the Series A-2 Notes and the Series A-3 Notes being hereinafter referred to collectively as the "Series A Notes") issued pursuant to separate Note Purchase Agreements, dated as of December 17, 2003 (as from time to time amended or supplemented, the "Note Purchase Agreements"), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof together with additional Series of Notes from time to time issued thereunder (the "Supplemental Notes", and collectively with the Series A Notes, the "Notes"). Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreements and (ii) to have made the representation set forth in Section 6.1(a), Section 6.2 and, in the case of any Initial Purchaser (as defined in the Note Purchase Agreements), Section 6.1(b) of the Note Purchase Agreements and (iii) to have agreed to the covenants and agreements of the holders set forth in the Note Purchase Agreements.

EXHIBIT 1-C
(to Note Purchase Agreement)

This Note is a registered Note and, as provided in the Note Purchase Agreements, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreements, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreements, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreements.

**This Note shall be construed and enforced in accordance with, and the rights and parties shall be governed by, the law of the State of New York, excluding choice-of-law principles of the law of such State which would require application of the laws of the jurisdiction other than such State.**

STERIS CORPORATION

By  
[Title]

E-1-C-2

[FORM OF SUPPLEMENTAL NOTE]

STERIS CORPORATION

\_\_\_\_% Senior Note, Series \_\_\_\_, due \_\_\_\_\_, \_\_\_\_

No. [\_\_\_\_\_]

[Date]

\$(\_\_\_\_\_)

PPN[\_\_\_\_\_]

FOR VALUE RECEIVED, the undersigned, STERIS CORPORATION (herein called the “Company”), a corporation organized and existing under the laws of the State of Ohio, hereby promises to pay to [\_\_\_\_\_], or registered assigns, the principal sum of [\_\_\_\_\_] DOLLARS on \_\_\_\_\_, \_\_\_\_, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of \_\_% per annum from the date hereof, payable semiannually, on the \_\_\_\_ day of \_\_\_\_\_ and \_\_\_\_\_ in each year, commencing with the [\_\_\_\_\_] or [\_\_\_\_\_] next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreements referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to \_\_\_\_%.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at [\_\_\_\_\_] or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreements referred to below.

This Note is one of a series of Senior Notes (herein called the “Series \_\_\_\_ Notes”) issued pursuant the Supplemental Note Purchase Agreement dated as of \_\_\_\_\_ to separate Note Purchase Agreements, dated as of December 17, 2003 (as from time to time amended or supplemented, the “Note Purchase Agreements”), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof, together with additional Series of Notes from time to time issued thereunder (the “Supplemental Notes”, and collectively with the notes issued under the Note Purchase Agreements, the “Notes”). Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in **Section 20** of the Note Purchase Agreements and (ii) to have made the representation set forth in **Section 6.1(a)** and **Section 6.2** and (iii) to have agreed to the covenants and agreements of the holders set forth in the Note Purchase Agreements.

This Note is a registered Note and, as provided in the Note Purchase Agreements, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder’s attorney

EXHIBIT 1.2  
(to Note Purchase Agreement)



duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

[The Company will make required prepayments of principal on the dates and in the amounts specified in the Note Purchase Agreements.] [This Note is [also] subject to [optional] prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreements, but not otherwise.]

If an Event of Default, as defined in the Note Purchase Agreements, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreements.

**This Note shall be construed and enforced in accordance with, and the rights and parties shall be governed by, the law of the State of New York, excluding choice-of-law principles of the law of such State which would require application of the laws of the jurisdiction other than such State.**

STERIS CORPORATION

By  
[Title]

E-1.2-2

FORM OF SUPPLEMENTAL NOTE PURCHASE AGREEMENT

STERIS CORPORATION  
5960 HEISLEY ROAD  
MENTOR, OHIO 44060-1834

As of \_\_\_\_\_, \_\_\_\_

To Each of the Purchasers  
Named in the Supplemental  
Purchaser Schedule Attached Hereto

Ladies and Gentlemen:

Reference is made to those certain Note Purchase Agreements, each dated as of December 17, 2003 between the Company and each of the Initial Purchasers named in the Initial Purchaser Schedule attached thereto (the "Agreement"). Terms used but not defined herein shall have the respective meanings set forth in the Agreement.

As contemplated in **Section 2.3** of the Agreements, the Company agrees with you as follows:

A. *Subsequent Series of Notes.* The Company has authorized and will create a Subsequent Series of Notes to be called the "Series \_\_\_\_ Notes." Said Series \_\_\_\_ Notes will be dated the date of issue; will bear interest (computed on the basis of a 360-day year of twelve 30-day months) from such date at the rate of \_\_\_\_% per annum, payable semiannually in arrears on the \_\_ day of each \_\_\_\_\_ and \_\_\_\_\_ in each year (commencing \_\_\_\_\_, \_\_\_\_ ) until the principal amount thereof shall become due and payable and shall bear interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and, to the extent permitted by law, on any overdue installment of interest at the rate specified therein after the date due for payment, whether by acceleration or otherwise, until paid; will be expressed to mature on \_\_\_\_\_, \_\_\_\_; and will be substantially in the form attached to the Agreement as **Exhibit 1.2** with the appropriate insertions to reflect the terms and provisions set forth above.

B. *Purchase and Sale of Series \_\_\_\_\_ Notes.* The Company hereby agrees to sell to each Supplemental Purchaser set forth on the Supplemental Purchaser Schedule attached hereto (collectively, the "Series \_\_\_\_\_ Purchasers") and, subject to the terms and conditions in the Agreement and herein set forth, each Series \_\_\_\_\_ Purchaser agrees to purchase from the Company the aggregate principal amount of the Series \_\_\_\_\_ Notes set opposite each Series \_\_\_\_\_ Purchaser's name in the Supplemental Purchaser Schedule at 100% of the aggregate principal amount. The sale of the Series \_\_\_\_\_ Notes shall take place at the offices of Chapman and Cutler LLP, 111 West Monroe Street, Chicago, Illinois 60603 at 10:00 a.m. Chicago time, at a closing the ("Series \_\_\_\_\_ Closing") on \_\_\_\_\_, \_\_\_\_\_, or such other date as shall be agreed upon by the Company and each Series \_\_\_\_\_ Purchaser. At the Series \_\_\_\_\_ Closing the Company will deliver to each

EXHIBIT 2.3  
(to Note Purchase Agreement)

Series \_\_\_\_ Purchaser one or more Series \_\_\_\_ Notes registered in such Series \_\_\_\_ Purchaser's name (or in the name of its nominee), evidencing the aggregate principal amount of Series \_\_\_\_ Notes to be purchased by said Series \_\_\_\_ Purchaser and in the denomination or denominations specified with respect to such Series \_\_\_\_ Purchaser in the Supplemental Purchaser Schedule attached hereto against payment of the purchase price thereof by transfer of immediately available funds for credit to the Company's account on the date of the Series \_\_\_\_ Closing (the "Series \_\_\_\_ Closing Date") (as specified in a notice to each Series \_\_\_\_ Purchaser at least three Business Days prior to the Series \_\_\_\_ Closing Date).

C. *Conditions of Series \_\_\_\_ Closing.* The obligation of each Series \_\_\_\_ Purchaser to purchase and pay for the Series \_\_\_\_ Notes to be purchased by such purchaser hereunder on the Series \_\_\_\_ Closing Date is subject to the satisfaction, on or before such Series \_\_\_\_ Closing Date, of the conditions set forth in **Section 4** of the Agreement, and to the following additional conditions:

(a) Except as supplemented, amended or superseded by the representations and warranties set forth in **Exhibit A** hereto, each of the representations and warranties of the Company set forth in **Section 5** of the Note Purchase Agreement shall be correct as of the Series \_\_\_\_ Closing Date and the Company shall have delivered to each Series \_\_\_\_ Purchaser an Officer's Certificate, dated the Series \_\_\_\_ Closing Date certifying that such condition has been fulfilled.

(b) Each Subsidiary Guarantor and Pledgor shall have confirmed in writing that the Series \_\_\_\_ Notes shall be guaranteed and secured, as the case may be, by the Subsidiary Guaranty and the Pledge Agreement.

(c) Contemporaneously with the Series \_\_\_\_ Closing, the Company shall sell to each Series \_\_\_\_ Purchaser, and each Series \_\_\_\_ Purchaser shall purchase, the Series \_\_\_\_ Notes to be purchased by such Series \_\_\_\_ Purchaser at the Series \_\_\_\_ Closing as specified in the Supplemental Purchaser Schedule.

D. *Prepayments.* The Series \_\_\_\_ Notes shall be subject to prepayment only (a) pursuant to the required prepayments, if any, specified in clause (x) below; and (b) pursuant to the optional prepayments permitted by **Section 8.2** of the Agreement.

(x) Required Prepayments; Maturity

[to be determined]

(y) Optional and Contingent Prepayments. As provided in **Sections 8.2** of the Agreement.

E. *Purchaser Representations.* Each Series \_\_\_\_ Purchaser represents and warrants that the representations and warranties set forth in **Section 6** of the Agreement are true and correct on the date hereof with respect to the purchase of the Series \_\_\_\_ Notes by such Series \_\_\_\_ Purchaser.

F. *Series \_\_\_\_ Notes Issued under and Pursuant to Agreement.* Except as specifically provided above, the Series \_\_\_\_ Notes shall be deemed to be issued under, to be subject to and to have the benefit of all of the terms and provisions of the Agreement as the same may from time to time be amended and supplemented in the manner provided therein.

E-2.3-3

The execution hereof by the Series \_\_\_\_ Purchasers shall constitute a contract among the Company and the Series \_\_\_\_ Purchasers for the uses and purposes hereinabove set forth. By their acceptance hereof, each of the Series \_\_\_\_ Purchasers shall also be deemed to have accepted and agreed to the terms and provisions of the Agreement, as in effect on the date hereof.

STERIS CORPORATION

By  
Its

Accepted as of

---

[VARIATION]

By  
Its

E-2.3-4

INFORMATION RELATING TO SERIES \_\_ PURCHASERS

PRINCIPAL  
AMOUNT OF SERIES  
\_\_\_\_ NOTES TO BE  
PURCHASED

NAME AND ADDRESS OF SERIES \_\_\_\_ PURCHASER

[NAME OF SERIES \_\_\_\_ PURCHASER]

\$

- (1) All payments by wire transfer of immediately available funds to:  
with sufficient information to identify the source and application of such funds.
- (2) All notices of payments and written confirmations of such wire transfers:
- (3) All other communications:

SCHEDULE A  
(to Supplement)

**EXHIBIT A**  
**SUPPLEMENTAL REPRESENTATIONS**

The Company represents and warrants to each Series \_\_\_\_ Purchaser that except as hereinafter set forth in this **Exhibit A**, each of the representations and warranties set forth in **Section 5** of the Note Purchase Agreement is true and correct as of the date hereof with respect to the Series \_\_\_\_ Notes with the same force and effect as if each reference to “Series \_\_\_\_ Notes” set forth therein was modified to refer the “Series \_\_\_\_ Notes” and each reference to “this Agreement” therein was modified to refer to the Note Purchase Agreement as supplemented by this Supplemental Note Purchase Agreement. The Section references hereinafter set forth correspond to the similar sections of the Note Purchase Agreement which are supplemented hereby:

EXHIBIT A  
(to Supplement)

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**FORM OF OPINION OF SPECIAL COUNSEL  
TO THE COMPANY, THE SUBSIDIARY GUARANTORS AND THE PLEDGORS**

EXHIBIT 4.4(a)  
(to Note Purchase Agreement)



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**FORM OF OPINION OF SPECIAL COUNSEL  
TO THE PURCHASERS**

EXHIBIT 4.4(b)  
(to Note Purchase Agreement)

SUBSIDIARY GUARANTY

Dated as of December 17, 2003

Re: \$40,000,000 4.20% Senior Notes, Series A-1, due December 15, 2008  
\$40,000,000 5.25% Senior Notes, Series A-2, due December 15, 2013  
\$20,000,000 5.38% Senior Notes, Series A-3, due December 15, 2015

of

STERIS CORPORATION

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(Not a part of the Agreement)

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## SUBSIDIARY GUARANTY

Re: \$40,000,000 4.20% Senior Notes, Series A-1, due December 15, 2008  
\$40,000,000 5.25% Senior Notes, Series A-2, due December 15, 2013  
\$20,000,000 5.38% Senior Notes, Series A-3, due December 15, 2015

This SUBSIDIARY GUARANTY dated as of December 17, 2003 (the or this "*Guaranty*") is entered into on a joint and several basis by each of the undersigned, together with any entity which may become a party hereto by execution and delivery of a Guaranty Supplement in substantially the form set forth as **Exhibit A** hereto (a "*Guaranty Supplement*") (which parties are hereinafter referred to individually as a "*Guarantor*" and collectively as the "*Guarantors*").

### RECITALS

A. Each Guarantor is a direct or indirect subsidiary of STERIS Corporation, an Ohio corporation (the "*Company*").

B. In order to refinance certain debt and for general corporate purposes, the Company has entered into 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*"; the Initial Note Purchasers, together with their successors, assigns or any other future holder of the Notes (as defined below), the "*Holders*"), providing for, *inter alia*, the issue and sale by the Company to the Initial Note Purchasers of \$40,000,000 aggregate principal amount of its 4.20% Senior Notes, Series A-1, due December 15, 2008, \$40,000,000 aggregate principal amount of its 5.25% Senior Notes, Series A-2, due December 15, 2013 and \$20,000,000 aggregate principal amount of its 5.38% Senior Notes, Series A-3, due December 15, 2015.

C. The Initial Note Purchasers have required as a condition to their purchase of the Notes that the Company cause each of the undersigned to enter into this Guaranty and to cause each Subsidiary (as defined in the Note Purchase Agreements) that after the date hereof delivers a guaranty pursuant to the Bank Credit Agreement (as defined in the Note Purchase Agreements) to enter into a Guaranty Supplement, in each case as security for the Notes, and the Company has agreed to cause each of the undersigned to execute this Guaranty and to cause such additional Subsidiaries to execute a Guaranty Supplement, in each case in order to induce the Initial Note Purchasers to purchase the Notes and thereby benefit the Company and its Subsidiaries.

D. Each of the Guarantors will derive substantial direct and indirect benefit from the sale of the Notes to the Initial Note Purchasers.

NOW, THEREFORE, as required by the Note Purchase Agreements and in consideration of the premises and other good and valuable consideration, the receipt and sufficiency whereof are hereby acknowledged, each Guarantor does hereby covenant and agree, jointly and severally, as follows:

SECTION 1. DEFINITIONS.

Capitalized terms used herein shall have the meanings set forth in the Note Purchase Agreements unless herein defined or the context shall otherwise require.

SECTION 2. GUARANTY OF NOTES AND NOTE PURCHASE AGREEMENTS.

(a) Subject to the limitation set forth in **Section 2(b)** hereof and to the provisions of **Section 13** hereof, each Guarantor jointly and severally does hereby absolutely and unconditionally guarantee unto the Holders: (1) the full and prompt payment of the principal of, Make-Whole Amount, if any, and interest on the Notes from time to time outstanding, as and when such payments shall become due and payable whether by lapse of time, upon redemption or prepayment, by extension or by acceleration or declaration or otherwise (including (to the extent legally enforceable) interest due on overdue payments of principal, Make-Whole Amount, if any, or interest at the rate set forth in the Notes and interest accruing at the then applicable rate provided in the Notes after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Company, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) in Federal or other immediately available funds of the United States of America which at the time of payment or demand therefor shall be legal tender for the payment of public and private debts, (2) the full and prompt performance and observance by the Company of each and all of the obligations, covenants and agreements required to be performed or owed by the Company under the terms of the Notes and the Note Purchase Agreements and (3) the full and prompt payment, upon demand by any Holder, of all reasonable actual out of pocket costs and expenses, legal or otherwise (including attorneys' fees), if any, as shall have been expended or incurred in the protection or enforcement of any rights, privileges or liabilities in favor of the Holders under or in respect of the Notes, the Note Purchase Agreements or under this Guaranty or in any consultation or action in connection therewith or herewith and in each and every case irrespective of the validity, regularity, or enforcement of any of the Notes or Note Purchase Agreements or any of the terms thereof or any other like circumstance or circumstances.

(b) The liability of each Guarantor under this Guaranty shall not exceed an amount equal to a maximum amount as will, after giving effect to such maximum amount and all other liabilities of such Guarantor, contingent or otherwise, result in the obligations of such Guarantor hereunder not constituting a fraudulent transfer, obligation or conveyance.

SECTION 3. GUARANTY OF PAYMENT AND PERFORMANCE.

This is a guarantee of payment and performance and each Guarantor hereby waives, to the fullest extent permitted by law, any right to require that any action on or in respect of any Note or the Note Purchase Agreements be brought against the Company or any other Person or that resort be had to any direct or indirect security for the Notes or for this Guaranty or any other remedy. Any Holder may, at its option, proceed hereunder against any Guarantor in the first instance to collect monies when due, the payment of which is guaranteed hereby, without first proceeding against the Company or any other Person and without first resorting to any direct or indirect

security for the Notes or for this Guaranty or any other remedy. The liability of each Guarantor hereunder shall in no way be affected or impaired by any acceptance by any Holder of any direct or indirect security for, or other guaranties of, any Debt, liability or obligation of the Company or any other Person to any Holder or by any failure, delay, neglect or omission by any Holder to realize upon or protect any such guarantees, Debt, liability or obligation or any notes or other instruments evidencing the same or any direct or indirect security therefor or by any approval, consent, waiver, or other action taken, or omitted to be taken by any such Holder.

The covenants and agreements on the part of the Guarantors herein contained shall take effect as joint and several covenants and agreements, and references to the Guarantors shall take effect as references to each of them and none of them shall be released from liability hereunder by reason of the guarantee ceasing to be binding as a continuing security on any other of them.

#### SECTION 4. GENERAL PROVISIONS RELATING TO THE GUARANTY.

(a) Each Guarantor hereby consents and agrees that any Holder or Holders from time to time, with or without any further notice to or assent from any other Guarantor may, without in any manner affecting the liability of any Guarantor under this Guaranty, and upon such terms and conditions as any such Holder or Holders may deem advisable:

(1) extend in whole or in part (by renewal or otherwise), modify, change, compromise, release or extend the duration of the time for the performance or payment of any Debt, liability or obligation of the Company or of any other Person secondarily or otherwise liable for any Debt, liability or obligations of the Company on the Notes, or waive any Default with respect thereto, or waive, modify, amend or change any provision of any other agreement or this Guaranty; or

(2) sell, release, surrender, modify, impair, exchange or substitute any and all property, of any nature and from whomsoever received, held by, or for the benefit of, any such Holder as direct or indirect security for the payment or performance of any Debt, liability or obligation of the Company or of any other Person secondarily or otherwise liable for any Debt, liability or obligation of the Company on the Notes; or

(3) settle, adjust or compromise any claim of the Company against any other Person secondarily or otherwise liable for any Debt, liability or obligation of the Company on the Notes.

Each Guarantor hereby ratifies and confirms any such extension, renewal, change, sale, release, waiver, surrender, exchange, modification, amendment, impairment, substitution, settlement, adjustment or compromise and that the same shall be binding upon it, and hereby waives, to the fullest extent permitted by law, any and all defenses, counterclaims or offsets which it might or could have by reason thereof, it being understood that such Guarantor shall at all times be bound by this Guaranty and remain liable hereunder.

(b) Each Guarantor hereby waives, to the fullest extent permitted by law:

(1) notice of acceptance of this Guaranty by the Holders or of the creation, renewal or accrual of any liability of the Company, present or future, or of the reliance of such Holders upon this Guaranty (it being understood that every Debt, liability and obligation described in **Section 2** hereof shall conclusively be presumed to have been created, contracted or incurred in reliance upon the execution of this Guaranty);

(2) demand of payment by any Holder from the Company or any other Person indebted in any manner on or for any of the Debt, liabilities or obligations hereby guaranteed; and

(3) presentment for the payment by any Holder or any other Person of the Notes or any other instrument, protest thereof and notice of its dishonor to any party thereto and to such Guarantor.

The obligations of each Guarantor under this Guaranty and the rights of any Holder to enforce such obligations by any proceedings, whether by action at law, suit in equity or otherwise, shall not be subject to any reduction, limitation, impairment or termination (other than by payment in full of the Notes and the obligations of the Company under the Note Purchase Agreements), whether by reason of any claim of any character whatsoever or otherwise and shall not be subject to any defense, set-off, counterclaim (other than any compulsory counterclaim), recoupment or termination whatsoever.

(c) Subject to **Section 13** hereof, the obligations of the Guarantors hereunder shall be binding upon the Guarantors and their successors and assigns, and shall remain in full force and effect until the entire principal, interest and Make-Whole Amount, if any, on the Notes and all other sums due pursuant to **Section 2** shall have been paid and such obligations shall not be affected, modified or impaired upon the happening from time to time of any event, including without limitation any of the following, whether or not with notice to or the consent of the Guarantors:

(1) the genuineness, validity, regularity or enforceability of the Notes, the Note Purchase Agreements or any other agreement or any of the terms of any thereof, the continuance of any obligation on the part of the Company, any other Guarantors or any other Person on or in respect of the Notes or under the Note Purchase Agreements or any other agreement or the power or authority or the lack of power or authority of the Company to issue the Notes or the Company to execute and deliver the Note Purchase Agreements or any other agreement or of any other Guarantors to execute and deliver this Guaranty or any other agreement or to perform any of its obligations hereunder or the existence or continuance of the Company or any other Person as a legal entity; or

(2) any default, failure or delay, willful or otherwise, in the performance by the Company, any other Guarantor or any other Person of any obligations of any kind or character whatsoever under the Notes, the Note Purchase Agreements, this Guaranty or any other agreement; or

(3) any creditors' rights, bankruptcy, receivership or other insolvency proceeding of the Company, any other Guarantor or any other Person or in respect of the property of the Company, any other Guarantor or any other Person or any merger, consolidation, reorganization, dissolution, liquidation, the sale of all or substantially all of the assets of or winding up of the Company, any other Guarantor or any other Person; or

(4) impossibility or illegality of performance on the part of the Company, any other Guarantor or any other Person of its obligations under the Notes, the Note Purchase Agreements, this Guaranty or any other agreements; or

(5) in respect of the Company, any other Guarantors or any other Person, any change of circumstances, whether or not foreseen or foreseeable, whether or not imputable to the Company, any other Guarantors or any other Person, or other impossibility of performance through fire, explosion, accident, labor disturbance, floods, droughts, embargoes, wars (whether or not declared), civil commotion, acts of God or the public enemy, delays or failure of suppliers or carriers, inability to obtain materials, action of any Federal or state regulatory body or agency, change of law or any other causes affecting performance, or any other *force majeure*, whether or not beyond the control of the Company, any other Guarantors or any other Person and whether or not of the kind hereinbefore specified; or

(6) any attachment, claim, demand, charge, Lien, order, process, encumbrance or any other happening or event or reason, similar or dissimilar to the foregoing, or any withholding or diminution at the source, by reason of any taxes, assessments, expenses, Debt, obligations or liabilities of any character, foreseen or unforeseen, and whether or not valid, incurred by or against the Company, any Guarantor or any other Person or any claims, demands, charges or Liens of any nature, foreseen or unforeseen, incurred by the Company, any Guarantor or any other Person, or against any sums payable in respect of the Notes or under the Note Purchase Agreements or this Guaranty, so that such sums would be rendered inadequate or would be unavailable to make the payments herein provided; or

(7) any order, judgment, decree, ruling or regulation (whether or not valid) of any court of any nation or of any political subdivision thereof or any body, agency, department, official or administrative or regulatory agency of any thereof or any other action, happening, event or reason whatsoever which shall delay, interfere with, hinder or prevent, or in any way adversely affect, the performance by the Company, any Guarantor or any other Person of its respective obligations under or in respect of the Notes, the Note Purchase Agreements, this Guaranty or any other agreement; or

(8) the failure of any Guarantor to receive any benefit from or as a result of its execution, delivery and performance of this Guaranty; or

(9) any failure or lack of diligence in collection or protection, failure in presentment or demand for payment, protest, notice of protest, notice of default and of nonpayment, any failure to give notice to any Guarantor of failure of the Company, any



Guarantor or any other Person to keep and perform any obligation, covenant or agreement under the terms of the Notes, the Note Purchase Agreements, this Guaranty or any other agreement or failure to resort for payment to the Company, any other Guarantor or to any other Person or to any other guaranty or to any property, security, Liens or other rights or remedies; or

(10) the acceptance of any additional security or other guaranty, the advance of additional money to the Company or any other Person, the renewal or extension of the Notes or amendments, modifications, consents or waivers with respect to the Notes, the Note Purchase Agreements or any other agreement, or the sale, release, substitution or exchange of any security for the Notes; or

(11) any merger or consolidation of the Company, any other Guarantor or any other Person into or with any other Person or any sale, lease, transfer or other disposition of any of the assets of the Company, any other Guarantor or any other Person to any other Person, or any change in the ownership of any shares of the Company, any other Guarantor or any other Person; or

(12) any defense whatsoever that: (i) the Company or any other Person might have to the payment of the Notes (principal, Make-Whole Amount, if any, or interest), other than payment thereof in Federal or other immediately available funds, or (ii) the Company or any other Person might have to the performance or observance of any of the provisions of the Notes, the Note Purchase Agreements or any other agreement, whether through the satisfaction or purported satisfaction by the Company, any other Guarantor or any other Person of its debts due to any cause such as bankruptcy, insolvency, receivership, merger, consolidation, reorganization, dissolution, liquidation, winding-up or otherwise, other than the defense of indefeasible payment in full in cash of the Notes; or

(13) any act or failure to act with regard to the Notes, the Note Purchase Agreements, this Guaranty or any other agreement or anything which might vary the risk of any Guarantor or any other Person; or

(14) any other circumstance which might otherwise constitute a defense available to, or a discharge of, any Guarantor or any other Person in respect of the obligations of any Guarantor or other Person under this Guaranty or any other agreement, other than the defense of indefeasible payment in full in cash of the Notes;

*provided* that the specific enumeration of the above-mentioned acts, failures or omissions shall not be deemed to exclude any other acts, failures or omissions, though not specifically mentioned above, it being the purpose and intent of this Guaranty and the parties hereto that the obligations of each Guarantor shall be absolute and unconditional and shall not be discharged, impaired or varied except pursuant to **Section 13** hereof and by the payment of the principal of, Make-Whole Amount, if any, and interest on the Notes in accordance with their respective terms whenever the same shall become due and payable as in the Notes provided and all other sums due and payable under the Note Purchase Agreements, at the place specified in and all in the manner and with the

effect provided in the Notes and the Note Purchase Agreements, as each may be amended or modified from time to time. Without limiting the foregoing, it is understood that repeated and successive demands may be made and recoveries may be had hereunder as and when, from time to time, the Company shall default under or in respect of the terms of the Notes or the Note Purchase Agreements and that notwithstanding recovery hereunder for or in respect of any given default or defaults by the Company under the Notes or the Note Purchase Agreements, this Guaranty shall remain in full force and effect and shall apply to each and every subsequent default.

(d) All rights of any Holder may be transferred or assigned at any time and shall be considered to be transferred or assigned at any time or from time to time upon the transfer of such Note in accordance with the Note Purchase Agreements whether with or without the consent of or notice to the Guarantors under this Guaranty or to the Company.

(e) To the extent of any payments made under this Guaranty, the Guarantors shall be subrogated to the rights of the Holder or Holders upon whose Notes such payment was made, but each Guarantor covenants and agrees that such right of subrogation shall be junior and subordinate in right of payment to the prior indefeasible final payment in cash in full of all amounts due and owing by the Company with respect to the Notes and the Note Purchase Agreements and by the Guarantors under this Guaranty, and the Guarantors shall not take any action to enforce such right of subrogation, and the Guarantors shall not accept any payment in respect of such right of subrogation, until all amounts due and owing by the Company under or in respect of the Notes and the Note Purchase Agreements and all amounts due and owing by the Guarantors hereunder have indefeasibly been finally paid in cash in full. If any amount shall be paid to any Guarantor in violation of the preceding sentence at any time prior to the indefeasible payment in cash in full (or other satisfaction agreed to by the Holders) of the Notes and all other amounts payable under the Notes, the Note Purchase Agreements and this Guaranty, such amount shall be held in trust for the benefit of the Holders and shall, except to the extent the Holders have received payment, promptly be paid to the Holders to be credited and applied to the amounts due or to become due with respect to the Notes and all other amounts payable under the Note Purchase Agreements and this Guaranty, whether matured or unmatured. Each Guarantor acknowledges that it has received direct and indirect benefits from the financing arrangements contemplated by the Note Purchase Agreements and that the waiver set forth in this **paragraph (e)** is knowingly made as a result of the receipt of such benefits.

(f) To the extent of any payments made under this Guaranty, each Guarantor making such payment shall have a right of contribution from the other Guarantors, but such Guarantor covenants and agrees that such right of contribution shall be subordinate in right of payment to the rights of the Holders for which full payment has not been made or provided for and, to that end, such Guarantor agrees not to claim or enforce any such right of contribution unless and until all of the Notes and all other sums due and payable under the Note Purchase Agreements have been fully and irrevocably paid and discharged.

(g) Each Guarantor agrees that to the extent the Company, any other Guarantor or any other Person makes any payment on any Note, which payment or any part thereof is subsequently invalidated, voided, declared to be fraudulent or preferential, set aside, recovered, rescinded, or

otherwise defeased or is required to be retained by or repaid to a trustee, receiver, or any other Person under any bankruptcy code, common law, or equitable cause, then and to the extent of such payment, the obligation or the part thereof intended to be satisfied shall be revived and continued in full force and effect with respect to the Guarantors' obligations hereunder, as if said payment had not been made. The liability of the Guarantors hereunder shall not be reduced or discharged, in whole or in part, by any payment to any Holder from any source that is thereafter paid, returned or refunded in whole or in part by reason of the assertion of a claim of any kind relating thereto, including, but not limited to, any claim for breach of contract, breach of warranty, preference, illegality, invalidity, or fraud asserted by any account debtor or by any other Person.

(h) No Holder shall be under any obligation: (1) to marshal any assets in favor of the Guarantors or in payment of any or all of the liabilities of the Company under or in respect of the Notes or the obligations of the Guarantors hereunder or (2) to pursue any other remedy that the Guarantors may or may not be able to pursue themselves and that may lighten the Guarantors' burden, any right to which each Guarantor hereby expressly waives.

(i) The obligations of each Guarantor under this Guaranty rank *pari passu* in right of payment with all other Debt of such Guarantor which is not secured or which is not expressly subordinated in right of payment to any other unsecured Debt of such Guarantor.

#### SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE GUARANTORS.

Each Guarantor represents and warrants to each Holder that:

(a) Such Guarantor is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on (1) the business, operations, affairs, financial condition, assets or properties of the Company and its subsidiaries, taken as a whole, or (2) the ability of such Guarantor to perform its obligations under this Guaranty, or (3) the validity or enforceability of this Guaranty. Such Guarantor has the power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Guaranty and to perform the provisions hereof.

(b) This Guaranty has been duly authorized by all necessary action on the part of such Guarantor, and upon execution and delivery of this Guaranty and of the Note Purchase Agreements and receipt of consideration for the Note Purchase Agreements and the Notes, this Guaranty will constitute a legal, valid and binding obligation of such Guarantor enforceable against such Guarantor in accordance with its terms, except as such enforceability may be limited by (1) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (2) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) The execution, delivery and performance by such Guarantor of this Guaranty will not (1) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of such Guarantor under any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, charter document or by-law, or any other material agreement or instrument to which such Guarantor is bound or by which such Guarantor or any of its properties may be bound or affected, (2) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to such Guarantor or (3) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the such Guarantor.

(d) No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority by the Guarantor is required in connection with the execution, delivery or performance by such Guarantor of this Guaranty.

(e) Such Guarantor has capital not unreasonably small in relation to its business or any contemplated or undertaken transaction and has assets having a value both at fair valuation and at present fair salable value greater than the amount required to pay its debts as they become due and greater than the amount that will be required to pay its probable liability on its existing debts as they become absolute and matured. Such Guarantor does not intend to incur, or believe or should have believed that it will incur, debts beyond its ability to pay such debts as they become due. Such Guarantor will not be rendered insolvent by the execution and delivery of, and performance of its obligations under, this Guaranty. Such Guarantor does not intend to hinder, delay or defraud its creditors by or through the execution and delivery of, or performance of its obligations under, this Guaranty.

#### SECTION 6. GUARANTOR COVENANTS.

From and after the date of issuance of the Notes by the Company and continuing so long as any amount remains unpaid thereon each Guarantor agrees to comply with the terms and provisions of Sections 9.1, 9.2, 9.3, 9.4 and 9.5 of the Note Purchase Agreements, insofar as such provisions apply to such Guarantor, as if said Sections were set forth herein in full.

#### SECTION 7. [RESERVED]

#### SECTION 8. GOVERNING LAW.

(a) THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE THEREIN.

(b) Each Guarantor hereby (1) irrevocably submits and consents to the jurisdiction of the federal court located within the County of New York, State of New York (or if such court lacks jurisdiction, the State courts located therein), and irrevocably agrees that all actions or proceedings relating to this Guaranty may be litigated in such courts, and (2) waives any objection which it may have based on improper venue or *forum non conveniens* to the conduct of any proceeding in any such court and waives personal service of any and all process upon it, and

(3) consents that all such service of process be made by delivery to it at the address of such Person set forth in **Section 11** below or to its agent referred to below at such agent's address set forth below (with a courtesy copy to such Guarantor at the address set forth in **Section 11**) and that service so made shall be deemed to be completed upon actual receipt. Each Guarantor hereby irrevocably appoints CT Corporation System, with an office on the date hereof at 111 Eighth Avenue, New York, New York 10011, as its agent for the purpose of accepting service of any process within the State of New York. Nothing contained in this section shall affect the right of any Holder to serve legal process in any other manner permitted by law or to bring any action or proceeding in the courts of any jurisdiction against a Guarantor or to enforce a judgment obtained in the courts of any other jurisdiction.

(c) The parties hereto waive any right to have a jury participate in resolving any dispute, whether sounding in contract, tort, or otherwise, between them arising out of, connected with, related to or incidental to the relationship established between them in connection with this Guaranty, any financing agreement, any loan party document or any other instrument, document or agreement executed or delivered in connection herewith or the transactions related hereto. The parties hereto hereby agree and consent that any such claim, demand, action or cause of action shall be decided by court trial without a jury and that any of them may file an original counterpart or a copy of this Guaranty with any court as written evidence of the consent of the parties hereto to the waiver of their right to trial by jury.

SECTION 9. [RESERVED]

SECTION 10. AMENDMENTS, WAIVERS AND CONSENTS.

(a) This Guaranty may be amended, and the observance of any term hereof may be waived (either retroactively or prospectively), with (and only with) the written consent of each Guarantor and the Required Holders.

(b) The Guarantors will provide each Holder (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such Holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof. The Guarantors will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this **Section 10** to each Holder promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite Holders.

(c) The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of fee or otherwise, or grant any security, to any Holder as consideration for or as an inducement to the entering into by any Holder of any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms, ratably to each Holder even if such Holder did not consent to such waiver or amendment.

(d) Any amendment or waiver consented to as provided in this **Section 10** applies equally to all Holders and is binding upon them and upon each future holder and upon the Guarantors. No such amendment or waiver will extend to or affect any obligation, covenant or agreement not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Guarantors and any Holder nor any delay in exercising any rights hereunder shall operate as a waiver of any rights of any Holder. As used herein, the term "this Guaranty" and references thereto shall mean this Guaranty as it may from time to time be amended or supplemented.

(e) Solely for the purpose of determining whether the Holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Guaranty, Notes directly or indirectly owned by any Guarantor, the Company or any of their respective subsidiaries or Affiliates shall be deemed not to be outstanding.

#### SECTION 11. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telefacsimile if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(1) if to an Initial Note Purchaser or such Initial Note Purchaser's nominee, to such Initial Note Purchaser or such Initial Note Purchaser's nominee at the address specified for such communications in Schedule A to the Note Purchase Agreements, or at such other address as such Initial Note Purchaser or such Initial Note Purchaser's nominee shall have specified to any Guarantor or the Company in writing,

(2) if to any other Holder, to such Holder at such address as such Holder shall have specified to any Guarantor or the Company in writing, or

(3) if to any Guarantor, to such Guarantor c/o the Company at its address set forth at the beginning of the Note Purchase Agreements to the attention of Corporate Treasurer, or at such other address as such Guarantor shall have specified to the Holders in writing.

Notices under this **Section 11** will be deemed given only when actually received.

#### SECTION 12. MISCELLANEOUS.

(a) No remedy herein conferred upon or reserved to any Holder is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Guaranty now or hereafter existing at law or in equity. No delay or omission to exercise any right or power

accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle any Holder to exercise any remedy reserved to it under the Guaranty, it shall not be necessary for such Holder to physically produce its Note in any proceedings instituted by it or to give any notice, other than such notice as may be herein expressly required.

(b) The Guarantors will pay all sums becoming due under this Guaranty by the method and at the address specified in the Note Purchase Agreements, or by such other method or at such other address as any Holder shall have from time to time specified to the Guarantors in writing for such purpose, without the presentation or surrender of this Guaranty or any Note.

(c) Any provision of this Guaranty 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, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

(d) If the whole or any part of this Guaranty shall be now or hereafter become unenforceable against any one or more of the Guarantors for any reason whatsoever or if it is not executed by any one or more of the Guarantors, this Guaranty shall nevertheless be and remain fully binding upon and enforceable against each other Guarantor as if it had been made and delivered only by such other Guarantors.

(e) This Guaranty shall be binding upon each Guarantor and its successors and assigns and shall inure to the benefit of each Holder and its successors and assigns so long as its Notes remain outstanding and unpaid.

(f) This Guaranty may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

#### SECTION 13. RELEASE.

Notwithstanding anything that may be contained herein to the contrary, the Holders agree that, in accordance with Section 2.2(e) of the Note Purchase Agreements, this Guaranty shall be automatically released and discharged without the necessity of further action on the part of the Holders if, and to the extent, the corresponding guaranty given pursuant to the terms of the Bank Credit Agreement is released and discharged; *provided* that in the event the Guarantor shall again become obligated under or with respect to the previously discharged Guaranty pursuant to the terms and provisions of the Guaranty, the Bank Credit Agreement or any additional bank loan agreement entered into by the Company pursuant to which such lenders make available to the Company credit facilities which are *pari passu* with the Notes, then the obligations of such Guarantor under this Guaranty shall be reinstated and any release thereof previously given shall be deemed null and void, and such Guaranty shall again benefit the Holders on an equal and *pro*

*rata* basis and such Guaranty shall once again be subject to the terms of the Intercreditor Agreement. Any release by the Holders shall be deemed to have occurred concurrently with the release and discharge under the Bank Credit Agreement. The Company shall promptly notify the Holders of any release of a Subsidiary Guaranty pursuant to this **Section 13** and shall deliver evidence of any release or discharge of a guaranty or Lien in customary form.

[Intentionally Blank]



IN WITNESS WHEREOF, the undersigned has caused this Subsidiary Guaranty to be duly executed by an authorized representative as of this \_\_ day of December, 2003.

ECOMED, INC.  
AMERICAN STERILIZER COMPANY  
STERIS EUROPE, INC.  
STERIS ASIA PACIFIC, INC.  
STERIS INC.  
STERIS LATIN AMERICA, INC.

HTD HOLDING CORP.  
HSTD LLC  
HAUSTED, INC.  
ISOMEDIX INC.  
ISOMEDIX OPERATIONS INC.  
STERILTEK, INC.  
STRATEGIC TECHNOLOGY ENTERPRISES, INC.

By: /s/ William L. Aamoth

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Name: William L. Aamoth  
Title: Treasurer

Accepted and Agreed:

STERIS CORPORATION

By: /s/ William L. Aamoth

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Name: William L. Aamoth  
Title: Treasurer

**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”)

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, \_\_\_\_\_, a \_\_\_\_\_ organized under the laws of \_\_\_\_\_ (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 the date hereof, 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 \_\_\_\_\_ 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.

In the event the Additional Guarantor is organized under the laws of any jurisdiction other than any state of the United States or the District of Columbia, the following **paragraphs (a) and (b)** shall be deemed incorporated in the Guaranty as if such paragraphs were set forth therein in full:

(a) Each payment by a Guarantor shall be made, under all circumstances, without setoff, counterclaim or reduction for, and free from and clear of, and without deduction for or because of, any and all present or future taxes, levies, imposts, duties, fees, charges, deductions, withholding, restrictions or conditions of any nature whatsoever (hereinafter called "*Relevant Taxes*") imposed, levied, collected, assessed, deducted or withheld by the government of any country or jurisdiction (or any authority therein or thereof) other than the United States of America from or through which payments hereunder or on or in respect of the Notes are actually made (each a "*Taxing Jurisdiction*"), unless such imposition, levy, collection, assessment, deduction, withholding or other restriction or condition is required by law. If a Guarantor is required by law to make any payment under the Guaranty subject to such deduction, withholding or other restriction or condition, then such Guarantor shall forthwith (i) pay over to the government or taxing authority imposing such tax the full amount required to be deducted, withheld from or otherwise paid by such Guarantor (including the full amount required to be deducted or withheld from or otherwise paid by such Guarantor in respect of the Tax Indemnity Amounts (as defined below)); (ii) pay each Holder such additional amounts ("*Tax Indemnity Amounts*") as may be necessary in order that the net amount of every payment made to each Holder, after provision for payment of such Relevant Taxes (including any required deduction, withholding or other payment of tax on or with respect to such Tax Indemnity Amounts), shall be equal to the amount which such holder would have received had there been no imposition, levy, collection, assessment, deduction, withholding or other restriction or condition. Notwithstanding the foregoing provisions of this **paragraph (a)**, no such Tax Indemnity Amounts shall be payable for or on account of any tax, assessment or other governmental charge that is imposed or withheld by reason of the failure of the Holder to complete, execute, update and deliver to such Guarantor any form or document to the extent applicable to such Holder that may be required by law or by reason of administration of such law and which is reasonably requested in writing to be delivered by such Guarantor in order to enable such Guarantor to make payments pursuant to this **paragraph (a)** without deduction or withholding for taxes, assessments or governmental charges, or with deduction or withholding of such lesser amount, which form or document shall be delivered within one hundred twenty days of a written request therefor by such Guarantor. If in connection with the payment of any such Tax Indemnity Amounts, any Holder that is a United States person within the meaning of the Code or a foreign person engaged in a trade or business within the United States of America, incurs taxes imposed by the United States of America or any political subdivision or taxing authority therein ("*United States Taxes*") on such Tax Indemnity Amounts, such Guarantor shall pay to such Holder such further amount as will insure that the net expenditure of the Holder for United States Taxes due to receipt of such Tax Indemnity Amounts (after taking into account any withholding, deduction, tax credit or tax benefit in respect of such further amount or any Tax Indemnity Amount) is no greater than it would have been had no Tax Indemnity Amounts been paid to the Holder.

(b) Any payment made by such Guarantor to any Holder for the account of any such holder in respect of any amount payable by such Guarantor shall be made in the lawful currency of the United States of America ("*U.S. Dollars*"). Any amount received or recovered by such holder other than in U.S. Dollars (whether as a result of, or of the

enforcement of, a judgment or order of any court, or in the liquidation or dissolution of such Guarantor or otherwise) in respect of any such sum expressed to be due hereunder or under the Notes shall constitute a discharge of such Guarantor only to the extent of the amount of U.S. Dollars which such Holder is able, in accordance with normal banking procedures, to purchase with the amount so received or recovered in that other currency on the date of the receipt or recovery (or, if it is not practicable to make that purchase on such date, on the first date on which it is practicable to do so). If the amount of U.S. Dollars so purchased is less than the amount of U.S. Dollars expressed to be due hereunder or under the Notes, such Guarantor agrees as a separate and independent obligation from the other obligations herein, notwithstanding any such judgment, to indemnify the Holder against the loss. If the amount of U.S. Dollars so purchased exceeds the amount of U.S. Dollars expressed to be due hereunder or under the Notes, then such Holder agrees to remit such excess to such Guarantor.

Upon execution of this Guaranty Supplement, 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: \_\_\_\_\_, \_\_\_\_.

[NAME OF ADDITIONAL GUARANTOR]

By  
Its  
Accepted and Agreed:

STERIS CORPORATION

By:

\_\_\_\_\_  
Name:  
Title:

**EXHIBIT 15.1 LETTER RE: UNAUDITED INTERIM FINANCIAL INFORMATION**

Board of Directors  
STERIS Corporation

We are aware of the incorporation by reference in the following Registration Statements and related Prospectuses of our report dated January 19, 2004, 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 December 31, 2003:

<u>Registration Number</u>	<u>Description</u>
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
333-63774	Form S-8 Registration Statement — Nonqualified Stock Option Agreement between STERIS Corporation and Peter A. Burke
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
333-40082	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
333-40058	Form S-8 Registration Statement — Nonqualified Stock Option Agreement between STERIS Corporation and Les C. Vinney
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 — 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 — STERIS Corporation Amended and Restated Non-Qualified Stock Option

/s/ ERNST & YOUNG LLP

Cleveland, Ohio  
February 11, 2004

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER**

I, Les C. Vinney, President and Chief Executive Officer of STERIS Corporation (“registrant”), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant;
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) 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. 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
  - c. 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 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: February 11, 2004

/s/ Les C. Vinney

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Les C. Vinney  
President and  
Chief Executive Officer



**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER**

I, Laurie Brlas, Senior Vice President and Chief Financial Officer of STERIS Corporation (“registrant”), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant;
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) 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. 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
  - c. 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 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: February 11, 2004

/s/ Laurie Brlas

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Laurie Brlas  
Senior Vice President and  
Chief Financial Officer

## Certification 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 for the quarter ended December 31, 2003, 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.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to STERIS Corporation and will be retained by STERIS Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Les C. Vinney

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Name: Les C. Vinney  
Title: President and Chief Executive Officer

/s/ Laurie Brlas

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Name: Laurie Brlas  
Title: Senior Vice President and Chief  
Financial Officer

Dated: February 11, 2004