

United States Securities and Exchange Commission

Washington, D. C. 20549

Form 10-K

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

For the fiscal year ended March 31, 2004

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)

34-1482024

(IRS Employer Identification No.)

**5960 Heisley Road
Mentor, Ohio 44060-1834**

(Address of principal
executive offices)

440-354-2600

(Registrant's telephone number
including area code)

...

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

Title of each class	Name of Exchange on Which Registered
Common Shares, without par value	New York Stock Exchange

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

None

...

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting stock held by non-affiliates of the Registrant, computed by reference to the closing price of such stock as of September 30, 2003: \$1,591,282,339

The number of Common Shares outstanding as of May 31, 2004: 68,866,792

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2004 Annual Meeting — Part III

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PART I

ITEM 1. BUSINESS

Reference to “STERIS Corporation,” “STERIS,” or the “Company” refers to STERIS Corporation and its subsidiaries, except where the context makes it clear the reference is to STERIS Corporation itself and not to its subsidiaries.

Description of Business

STERIS Corporation, an Ohio corporation organized in 1987, 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 continues to change as a result of a number of developments, including minimally invasive surgical and diagnostic procedures; heightened public and professional awareness and concern for the increasing number of transmittable and antibiotic-resistant infectious diseases; and the overall need to reduce the cost of healthcare delivery. These developments have expanded the demand for rapid, safe, and efficient infection prevention systems for critical tasks such as the sterile processing of devices. The pharmaceutical industry is also expanding to meet increased demand for new and generic drugs. Pharmaceutical, biotech, medical device, and other manufacturers are under increasing pressure to adhere to stricter guidelines for the validation and control of their antimicrobial processes, as well as global standardization of protocols.

As of March 31, 2004, the Company had approximately 5,100 employees worldwide, with approximately 2,300 involved in direct sales, service, and field support. Customer support and training facilities are located in many major global market centers, and production and manufacturing operations are found in the United States, Canada, Germany, Finland, Sweden, and Switzerland.

Segment Information

As of April 1, 2003, the Company realigned its single operating segment into three market-focused business segments to more effectively capture growth opportunities. These segments include: Healthcare, Life Sciences, and STERIS Isomedix Services. Segment information for years prior to April 1, 2003 has been reclassified to conform to the fiscal 2004 segment structure. Information regarding the Company’s fiscal 2004 segment structure, including comparative segment net revenues, comparative segment operating income, and comparative other financial information for each of the three years in the period ending March 31, 2004 is presented in Note 12 to the Company’s consolidated financial statements, “Business Segment Information,” and in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and in the “Principal Products and Services” section below.

Principal Products and Services

STERIS is a leader in low temperature sterilization, high temperature sterilization, washing and decontamination systems, surgical tables, surgical lights, and associated consumables and service. The Company is a multi-industry, global organization that serves healthcare, pharmaceutical manufacturing, life sciences research, industrial, and government customers. Principal products and services by business segment are as follows:

Healthcare Segment. The Healthcare segment provides an integrated offering of equipment, consumables, and services to hospitals and alternative sites, enabling them to improve the safety, efficiency, and effectiveness of ambulatory and acute care environments. The portfolio includes infection prevention

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processing systems, specialty chemical products used for cleaning, disinfecting, sterilizing and drying medical instruments and hard surfaces. STERIS systems support cost containment, productivity increases, and risk reduction in a wide variety of healthcare settings through process standardization, automatic monitoring and documentation, processing site flexibility, and reduction in processing time.

Equipment. The Healthcare segment utilizes three sterilization technologies for decontaminating medical devices and instruments: low temperature liquid, steam, and ethylene oxide. STERIS SYSTEM 1[®] Low Temperature Liquid Sterile Processing System is used for just-in-time sterile processing at or near the site of patient care. SYSTEM 1[®] sterile processors enable healthcare professionals to economically sterilize immersible surgical and diagnostic devices between patient procedures in approximately thirty minutes. Customers are able to sterilize delicate, expensive, heat-sensitive devices and instrument sets many times per day, while reducing the risk of re-contamination and eliminating time-consuming transportation to and from central processing sites.

The Company's thermal sterilization systems, sold under the Amsco[®] brand name, use saturated steam to sterilize items through a combination of heat, moisture, and pressure. Thermal sterilizers are offered in a number of sizes based on customer throughput requirements, and are designed for use in centralized and decentralized processing environments. The product line includes a versatile microprocessor-based control system that provides the customer a permanent record of important cycle information.

In addition, the Company manufactures low temperature ethylene oxide ("EO") gas sterilizers, which provide customers the ability to sterilize heat sensitive medical devices in a controlled processing environment.

STERIS also manufactures a variety of automated washer/disinfector systems under the Amsco[®] Reliance[®] brand that are typically used as a processing step before thermal sterilization. These systems clean, disinfect, and dry a wide range of items from rolling instrument carts and other large healthcare equipment to the smallest surgical instruments.

The Company's Healthcare equipment also includes general and specialty surgical tables, surgical and examination lights, operating room storage cabinets, warming cabinets, scrub sinks, and other complementary products and accessories for hospitals and other healthcare facilities. The Company produces and sells a line of related accessories and also sells accessories manufactured by outside sources.

The Company's lights and equipment management systems are designed for a wide variety of locations where diagnostic and therapeutic procedures are performed, including the emergency room, general surgery suite, OB/GYN suite, ICU/CCU suite, and ambulatory surgery suite. The Company's products range from major surgical lights to small examination lights, and include the Harmony[®] Equipment Management Systems line of ceiling management products for the hospital operating room, emergency and critical care, and ambulatory surgery markets.

Consumables. The Healthcare segment also offers infection prevention consumables and supplies that are used to prevent the spread of infectious diseases and to monitor sterilization and decontamination processes. STERIS consumable products offer quality choices for infection and contamination prevention, including products used in instrument cleaning and decontamination systems and hard surface disinfectants. Within the Healthcare Segment is Applied Infection Control, a business unit focused on skin care solutions for high risk and routine applications and surgical scrubs. STERIS quality assurance products used to monitor sterilization processes include biological monitoring systems, barrier wraps, integrator/indicator monitoring systems, and record-keeping systems.

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Service. The Healthcare segment also provides various equipment maintenance programs to support effective operation of Healthcare equipment over its lifetime. STERIS provides sterilization management services for healthcare facilities and is developing comprehensive service solutions to meet the instrument reprocessing needs of hospitals and healthcare facilities.

STERIS field service personnel are available worldwide to install, maintain, upgrade, repair, and troubleshoot equipment. Additionally, STERIS offers general sterilization consulting services and other support services such as facility planning, engineering support, device testing, cleaning, evaluation, and customer education.

Life Sciences Segment. The STERIS Life Sciences segment is a global provider of integrated and validated equipment, chemistries, and service solutions aiding developers and manufacturers of pharmaceutical and bio-pharmaceutical products to maximize uptime, enhance productivity, and protect process integrity within aseptic and other critical environments. The offerings include contamination prevention and control systems, products and services for pharmaceutical, biotechnology, critical research, and laboratory research customers. These products and services assist customers in following the stringent sterility assurance and microbial reduction processes demanded by the United States Food and Drug Administration ("FDA"), as well as worldwide regulatory and compliance agencies.

The Life Sciences business unit of the Life Sciences segment offers a broad range of systems and products that includes several of the most trusted brand names in the industry: Finn-Aqua® and Amsco® sterilizers, Reliance® and Basil® washers, Detach™ automated cage and bedding processing systems, VHP® (Vaporized Hydrogen Peroxide) bio-decontamination systems, Finn-Aqua® high-purity water systems, and Lyovac® freeze dryers, research and pharmaceutical washing systems, as well as an extensive line of consumable products for contamination prevention, surface cleaning, and sterility assurance. With this broad product offering, the Life Sciences segment has the capability to follow a drug through the research, discovery, and manufacturing phases.

The Life Sciences segment, through its Defense and Industrial business unit offers proprietary services, technologies and products that meet challenges from a diverse array of situations and environments. This business unit addresses the emerging threat of biological or chemical contamination and has focused primarily on securing collaborative research agreements with various U.S. government agencies. Future applications may span industries such as mass transportation, food and food processing facilities, private sector and government office buildings, defense bases and, defense and first response vehicles. This is an example of the Company's strategy to utilize its proven technologies to meet the needs of new markets.

STERIS Isomedix Services Segment. STERIS Isomedix Services is a provider of contract sterilization, microbial reduction, and materials modification services to medical supply, consumer, and industrial customers. This business provides services to manufacturers of pre-packaged products, such as single-use medical devices. STERIS has a network of 16 contract sterilization facilities in the U.S., Canada, and Puerto Rico with available gamma irradiation, ethylene oxide, and electron beam processing technologies. STERIS Isomedix Services facilities network provides customers with high-quality processing and logistical support to minimize the time it takes to move a product from the factory to its final destination.

Manufacturing

The Company, as of March 31, 2004, manufactures, assembles, and packages products in Erie, Pennsylvania; Mentor, Ohio; Montgomery, Alabama; St. Louis, Missouri; Cologne, Germany; Helsinki, Finland; Pieterlen, Switzerland, Quebec City, Canada; and Stockholm, Sweden. Each of the production facilities are dedicated facilities, each focusing on particular processes and products. The majority of the Company's equipment manufacturing facilities throughout the world are ISO 9001 certified. These facilities supply products to both Healthcare and Life Sciences customers.

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Raw materials, sub-assemblies, and other components essential to the Company's business are generally available within the lead times specified to vendors. While some raw materials are sole sourced, the supply of such raw materials has posed no significant problem in the operation of the Company's business.

International Operations

The Company has operations outside of the United States. These operations are conducted through the Company's subsidiaries and involve the same business segments as the Company's domestic operations – Healthcare, Life Sciences, and STERIS Isomedix Services. Net revenues from operations outside of the United States amounted to \$244.5 million, or 22.5%, of the Company's total net revenue for the year ended March 31, 2004. Net revenues from operations in North America, Europe, and other countries amounted to \$884.2 million, \$160.7 million, and \$42.1 million, respectively, for fiscal 2004. The United States was the only individual country to contribute more than 10% of total revenue.

For a geographic breakdown of net revenues and changes in net revenues for the three years ended March 31, 2004, see Note 12 to the Company's consolidated financial statements, "Business Segment Information," and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Company's operations are subject, in varying degrees, to a number of inherent risks. These include, among other things, foreign currency fluctuations, exchange controls and currency restrictions, changes in local economic conditions, unsettled political, regulatory or business conditions, and government-sponsored boycotts and tariffs on the Company's products or services.

Depending on the direction of change relative to the U.S. dollar, foreign currency values can increase or reduce the reported dollar value of the Company's net assets and results of operations. Foreign exchange favorably impacted net revenues by 2.3% during fiscal 2004. The Company cannot predict with certainty future changes in foreign exchange rates or the effect they will have on the Company.

Customers and Methods of Distribution

As of March 31, 2004, STERIS employed approximately 1,170 direct field sales and service representatives in North America. The representatives generally reside in metropolitan market areas throughout the United States and Canada. Sales and service activities are supported by a staff of regionally based clinical specialists, systems planners, corporate account managers, and in-house customer service and field support departments.

The Company has generally employed direct sales, service, and support personnel in developed international markets while contracting with distributors in other selected markets. STERIS currently has sales offices in Belgium, Brazil, Canada, Costa Rica, UK, Finland, France, Germany, Italy, Japan, Korea, Singapore, Spain, Sweden, Switzerland, and the United States. STERIS has distribution agreements with medical supply distributors in Australia and various countries in North and South America, Asia, and Europe.

Customer training is an important aspect of STERIS's business. In addition to training at customer locations, STERIS provides a variety of courses for customers at the Company's training and education centers and over the internet. The programs enable customer representatives to understand the science, technology, and operation of STERIS products. Many of the Operator Training Programs are approved by professional certifying organizations for continuing education credits to eligible course participants.

Many of the Company's customers are subject to government payment, reimbursement, or funding requirements. Changes in those requirements could adversely impact the Company. STERIS believes, however, that one of its strengths is its broad customer base with no single customer accounting for more than five percent of revenue during fiscal 2004. Customers who are part of a buying group generally make independent purchasing decisions and are invoiced directly by the Company.

Competition

The Company believes it is uniquely positioned with its combination of capital equipment, chemistries, and services. Competitors are typically focused on either capital equipment, chemistries, or services. The markets in which the Company's business is conducted are highly competitive and often highly regulated. Such competition involves an intensive search for technological innovations and the ability to market these innovations effectively. The Company focuses significant resources on research and development and management believes that the Company is prepared to compete globally in search of technological innovations. In addition to expenditures relating to research and development, the Company continues to invest in quality control, customer programs, distribution systems, and technical and other information services.

Despite the focus that the Company devotes to developing competitive advantages, a number of competing methodologies and commercial products are available in individual product lines. Getinge AB, Advanced Sterilization Products (Johnson & Johnson), and 3M Corporation are well-known companies offering products for general sterilization and disinfection. Skytron (division of KMW Group, Inc.) and Getinge AB are competitors in providing general surgical tables. Berchtold Corporation, Getinge AB, Heraeus, and Skytron are competitors in major surgery operating room light products. Competitors in sterility assurance products include a number of different manufacturers of which the most well-known is 3M Corporation. Competitors in environmental and instrument decontamination products include Getinge AB, Ecolab Inc., and Cardinal. The Company's high risk and routine skin care products compete against the products of Ecolab, Inc., Gojo (Provon), and Kimberly-Clark (SaniFresh). Cardinal, Becton Dickinson, Ecolab, Inc. and Purdue Frederick are competitors in providing surgical scrubs. Competitors in the original equipment manufacturing service business include local and in-hospital service groups. In contract sterilization, the Company primarily competes with Griffith Micro Science and SteriGenics International, Inc. (business units of Ion Beam Applications), and companies that sterilize products in-house. A competitor for the Company's Life Sciences sterilization systems is Getinge AB.

In 1998, the FDA established 510(k) submission exemptions for many Class I devices, including certain surgical support products, which lessened the regulatory requirements for the introduction of these products. The lower regulatory barriers could accelerate new product introductions for the Company and its domestic competitors, as well as improve the ability of foreign competitors to introduce products into the United States market and, as a result, increase competition.

Competition for the products provided by the Company is based upon product design and quality, product innovation, price, and product serviceability that result in the greatest overall value to the customer. In addition, there is significant price competition among various instrument preparation processes and services provided by STERIS and its competitors.

STERIS anticipates that it may face increased competition in the future as new infection prevention, sterile processing, contamination control, and surgical support products and services enter the market. Numerous organizations, including several smaller early-stage companies, are believed to be working with a variety of technologies and sterilizing agents, including microwave, ozone, plasma, chlorine dioxide, peracids, and formaldehyde. In addition, a number of companies have developed disposable medical instruments and other devices designed to address the risk of contamination. There can be no assurance that new products or services developed by the Company's competitors will not be more commercially successful than those provided or developed by STERIS or that may be developed by STERIS in the future. In addition, some of STERIS's existing or potential competitors may have greater financial, technical, and human resources than the Company. Accordingly, the Company's competitors may succeed in developing and commercializing products more rapidly than the Company.

Government Regulation

Many of the Company's products and manufacturing processes are subject to regulation by the FDA, the United States Environmental Protection Agency ("EPA"), the United States Nuclear Regulatory Commission, and other governmental authorities. Similar regulatory agencies exist in other countries with a wide variety of regulatory review processes and procedures. Many products offered for sale in Europe must meet the CE marking requirements, and must be manufactured in accordance with the Medical Devices Directive, ISO 9001, and EN 46001 Quality System Standards. The Company's products are also subject to review or certification by various nongovernmental certification authorities, such as Underwriter's Laboratories, Canadian Standards Association, British Standards Institute, and TUV (Germany). Compliance with the regulations and certification requirements of domestic and foreign government regulatory and certification authorities may delay or prevent product introductions, require additional studies or tests prior to product introduction, require product modification, reclassification, relabeling or recalls, or mandate cessation of production and marketing of existing products. The cost of compliance with applicable regulations represents a considerable expense, and such past, current or future regulations or their interpretation or application could have a material adverse impact on the Company.

In the United States, the FDA regulates the introduction, manufacturing, labeling, reclassification, record keeping, and recall requirements for medical devices and drugs. The FDA regulates the majority of the products manufactured by the Company, through marketing clearance, pre-market approvals, new drug approvals, or compliance with established monographs. The process of obtaining marketing clearance from the FDA for new products, new applications for existing products, and changes to existing products can be time-consuming and expensive. In addition, whether separate or additional approvals or marketing clearance is required under applicable regulations for any particular product is often a matter of interpretation and judgment. There is no assurance that approval or marketing clearances will be granted or maintained, that the FDA or other agencies will agree or continue to agree with all judgments made from time to time by the Company, that new marketing clearance, reclassification or relabeling will not be required for any particular new or existing product, or that review by the FDA or other agencies will not involve delays, costs or proceedings that will adversely affect the Company or its ability to commercialize additional products or existing products. Similar approvals and requirements by comparable agencies are present in most countries, and similar risks are present. International regulatory requirements may vary widely from country to country. The time required to obtain market clearance from a foreign country may be longer or shorter than that required by the FDA or other agencies, and clearance or approval or other product requirements may differ.

Even if regulatory clearances to market a product are obtained from the FDA or other international agencies, these clearances may entail limitations on the indicated uses of the product. Product clearances granted by the FDA or other agencies can also be withdrawn due to failure to comply with regulatory standards or the occurrence of other problems following initial approval. Regulatory requirements could also limit or prevent the manufacture or distribution of the Company's products and require the post market review, reclassification, relabeling, or recall of such products. The application of these regulations depends heavily on administrative interpretation, and there can be no assurance that future interpretations made by the FDA or other regulatory bodies, with possible retroactive effect, will not adversely affect the Company. Further, additional government regulation may be established that could prevent, delay, revoke, or result in the rejection of regulatory clearance of the Company's products. The effect of government regulation or interpretation or application thereof, which may arise from current or future legislation or administrative action cannot be predicted.

The FDA, various state agencies, and foreign regulatory agencies also have the right to inspect the Company's facilities from time to time to determine, among other things, whether the Company is in compliance with various regulations relating to the Quality System Regulation ("QSR"). In complying with

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the QSR, manufacturers must continue to expend time, money, and effort in the areas of production and quality control to achieve regulatory compliance.

In addition, the Company is subject to regulation under local, state, federal, and foreign law regarding occupational safety, environmental protection, import/export controls, tax matters, product sales and marketing, hazardous and toxic substance control, and to other present (and possible future) local, state, federal, and foreign regulation. The cost of compliance with these regulations represents a considerable expense to the Company, and such regulations or their interpretation or application could have a material adverse impact on the Company.

Failure to comply with any applicable regulatory requirements could result in sanctions being imposed on the Company, including warning letters, injunctions, money penalties, enforcement actions, investigations, cost recovery actions, civil litigation, failure of the FDA or comparable foreign agencies to grant pre-market clearance or pre-market approval of medical devices, product recalls, operating restrictions, and/or other administrative, civil and criminal sanctions. The Company has previously received warning letters, paid civil penalties, conducted product recalls, and been subject to other regulatory sanctions. The Company believes that no such sanctions that would have a material adverse effect on the Company's consolidated financial condition are currently outstanding. The Company believes that it is currently in conformity in all material respects with applicable regulatory requirements. However, there can be no assurance that future or current regulatory, governmental, or private legal action will not be concluded in a manner adverse to the Company. Also see the discussion of "Legal Proceedings," Part I, Item 3.

The Company has received all material licenses and permits it believes necessary to conduct its current manufacturing and contract sterilization businesses and believes that it will be able to obtain any permits necessary for the future conduct of its manufacturing and contract sterilization businesses. The Company is committed to compliance with applicable FDA, EPA, and other governmental laws and regulations and the standards promulgated by applicable nongovernmental certification authorities. However, there can be no assurance that compliance will be maintained in all circumstances.

Effects of Environmental Laws

The Company is subject to various laws and government regulations concerning environmental matters and employee safety and health in the United States and other countries. The Company has made and intends to continue to make necessary expenditures for compliance with these laws and regulations. While the Company cannot predict with certainty future capital expenditures or operating costs associated with environmental law and regulation compliance, the Company does not believe they will have a material effect on the Company's capital expenditures, results of operation, cash flows, or competitive position.

Employees

As of March 31, 2004, the Company had approximately 5,100 employees. Management considers its relations with employees, including employees covered under collective bargaining agreements, to be good.

Intellectual Property and Research and Development

The Company protects its technology and products by, among other means, filing United States and foreign patent applications that it considers important to its business. There can be no assurance, however, that any patent will provide adequate protection for the technology, system, product, service, or process it covers. In addition, the process of obtaining and protecting patents can be long and expensive. The Company also relies upon trade secrets, technical know-how, and continuing technological innovation to develop and maintain its competitive position.

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As of March 31, 2004, the Company held 262 United States patents and 590 foreign patents and had 111 United States patents and 210 foreign patents pending. Patents for individual products extend for varying periods according to the date of patent filing or grant and legal term of patents in various countries where patent protection is obtained. The actual protection afforded by a patent, which can vary from country to country, depends upon the type of patent, the scope of its coverage, and the availability of legal remedies in the country.

The Company's products are sold around the world under various brand names and trademarks. The Company considers its trademarks to be valuable in the marketing of its products. As of March 31, 2004, the Company had a total of 778 trademark registrations in the United States and in various foreign countries in which the Company conducts business.

Seasonality

The Company's financial results have been from time to time subject to seasonal patterns. Sales and profitability of certain of the Company's acquired and consolidated product lines have generally been weighted toward the latter part of each quarter and toward the latter part of each year. A number of factors have contributed to this seasonality, including sales promotion and compensation programs, customer buying patterns of capital equipment, and international business practices. There can be no assurance that such patterns or trends will continue.

Backlog

As of March 31, 2004, the Company maintained backlog orders in the amount of \$129.6 million, of which, \$57.0 million and \$72.6 million related to the Company's Healthcare segment and Life Sciences segment, respectively. As of March 31, 2003, the Company maintained backlog orders in the amount of \$147.5 million, of which, \$68.0 million and \$79.5 million related to the Company's Healthcare segment and Life Sciences segment, respectively. The majority of orders in both years were expected to ship in the subsequent fiscal year.

Subsequent Events

As of June 10, 2004, the Company had purchased 1,265,100 of its Common Shares during the first quarter of fiscal 2005, at an average price of \$22.25 per Common Share leaving 973,700 Common Shares authorized for purchase.

Availability of Securities and Exchange Commission Filings

The Company files annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to those reports, and other information with the Securities and Exchange Commission ("SEC"). Copies of these materials can be obtained by visiting the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, D.C. 20549 or by accessing the SEC's website at <http://www.sec.gov>. Information may be obtained by calling the SEC at 1-800-SEC-0330. In addition, as soon as reasonably practicable, after such materials are filed with or furnished to the SEC, the Company makes copies available to the public, free of charge, on or through the investor relations section of its website at <http://www.steris.com>. Also available on the Company's website are the Company's Corporate Governance Guidelines, Director Code of Ethics, and Code of Business Conduct, as well as Charters of the Company's Audit and Financial Policy Committee, Compensation and Corporate Governance Committee, and the Compliance Committee of the Company's Board of Directors. Information on the Company's website is not incorporated into this report.

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ITEM 2. PROPERTIES

The following table sets forth the principal plants and other materially important properties of the Company and its subsidiaries as of March 31, 2004. The Company believes that its facilities are adequate for operations and are maintained in good condition. The Company is confident that, if needed, it will be able to acquire additional facilities at commercially reasonable rates.

In the table below, "Contract Sterilization" refers to locations of the STERIS Isomedix Services segment, "Sterilization Services" refers to locations of the Healthcare segment and "Manufacturing/Warehousing" and "Sales Offices" refer to locations serving both the Healthcare and Life Sciences segments.

U.S. Locations (including Puerto Rico)

Montgomery, AL (2 locations)	Manufacturing/Warehousing	Owned (1), Leased (1)
Nogales, AZ	Contract Sterilization	Owned
Aliso Viejo, CA	Sales Office	Leased
Ontario, CA	Contract Sterilization	Owned
Temecula, CA	Contract Sterilization	Owned
Miami, FL	Sales Office	Leased
Libertyville, IL (2 locations)	Contract Sterilization	Owned
Morton Grove, IL	Contract Sterilization	Leased
Fitchburg, MA	Sterilization Services	Leased
Northborough, MA	Contract Sterilization	Owned
Bel Air, MD	Sales Office	Leased
Minneapolis, MN (2 locations)	Contract Sterilization	Leased
St. Louis, MO (3 locations)	Manufacturing/Warehousing	Owned (2), Leased (1)
Whippany, NJ	Contract Sterilization	Owned
Reno, NV	Warehousing	Leased
Chester, NY	Contract Sterilization	Owned
Groveport, OH	Contract Sterilization	Owned
Mentor, OH (9 locations)	Corporate Headquarters/ Manufacturing/Warehousing	Owned (7), Leased (2)
Erie, PA (3 locations)	Manufacturing/Operations	Owned (2), Leased (1)
Carolina, PR	Warehousing	Leased
Vega Alta, PR	Contract Sterilization	Owned
Spartanburg, SC	Contract Sterilization	Owned
Nashville, TN	Sterilization Services	Leased
El Paso, TX	Contract Sterilization	Owned
Sandy, UT	Contract Sterilization	Owned

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Non-U.S. Locations

Brussels, Belgium	Sales Office	Leased
Sao Palo, Brazil	Sales Office	Leased
Mississauga, Canada	Warehousing/Sales Office	Leased
Quebec City, Canada (4 locations)	Manufacturing/Warehousing	Owned (1), Leased (3)
Saint Laurent, Canada	Sales Office	Leased
Whitby, Canada	Contract Sterilization	Owned
San Jose, Costa Rica	Sales Office	Leased
Basingstoke, UK	European Headquarters	Leased
Helsinki, Finland (2 location)	Manufacturing/Sales Office	Owned (1), Leased (1)
Paris, France	Sales Office	Leased
Cologne, Germany	Manufacturing/Sales Office	Leased
Segrate, Italy	Sales Office	Leased
Kobe, Japan	Sales Office	Leased
Tokyo, Japan	Sales Office	Leased
Seoul, S. Korea	Sales Office	Leased
Singapore	Sales Office	Leased
Madrid, Spain	Sales Office	Leased
Stockholm, Sweden (2 locations)	Manufacturing/Sales Office	Leased
Bruegg, Switzerland	Sales Office	Leased
Pieterlen, Switzerland	Manufacturing/Sales Office	Owned

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in a number of legal proceedings and claims, which the Company believes arise from the ordinary course of its business, given its size, history, complexity, nature of its business, and industries in which it participates. These legal proceedings and claims generally involve a variety of legal theories and allegations, including without limitation, personal injury (e.g., slip and falls, automobile accidents), product liability (e.g., based on the operation or claimed malfunction of products), product exposure (e.g., claimed exposure to chemicals, asbestos, contaminants), property damage (e.g., claimed damage due to leaking equipment, fire), economic loss (e.g., breach of contract, other commercial claims), employment (e.g., wrongful termination), and other claims for damage and relief. In fiscal 2004, the Company settled a wrongful discharge lawsuit with a former employee. In connection with that settlement, the Company became aware of an investigation initiated based on discussions between the former employee and the FDA regarding the Company's SYSTEM 1[®] sterile processing system. The investigation is currently being conducted by the FDA and the U.S. Department of Justice and is ongoing. The Company has offered and intends to cooperate with the government agencies regarding this matter, if requested.

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The Company believes it has adequately reserved for its current litigation and that the ultimate outcome of its pending lawsuits and claims will not have a material adverse effect on the Company'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, proceedings, investigations, or claims or their effect. The Company presently maintains product liability insurance coverage and other liability coverage in amounts and with deductibles that it believes are prudent.

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

Additional discussion regarding the Company's commitments and contingencies is included in Item 7, Management's Discussion and Analysis ("Contingencies") and in Note 11 to the Company's consolidated financial statements, "Commitments and Contingencies."

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

No matters were submitted to a vote of security holders during the fourth quarter of the Company's 2004 fiscal year.

Executive Officers of the Registrant

The following table sets forth certain information regarding the executive officers of the Company, as of March 31, 2004.

Name	Age	Position
Les C. Vinney	55	President and Chief Executive Officer
William L. Aamoth	50	Vice President and Corporate Treasurer
Laurie Brlas	46	Senior Vice President and Chief Financial Officer
Dr. Peter A. Burke	55	Senior Vice President and Chief Technology Officer
David L. Crandall	57	Vice President and Group President, Applied Infection Control
Charles L. Immel	42	Senior Vice President and Group President, Healthcare
Mark D. McGinley	47	Vice President, General Counsel, and Secretary
Robert E. Moss	59	Vice President and Group President, STERIS Isomedix Services
Morten C. Nielsen	48	Vice President and Group President, Life Sciences
Gerard J. Reis	52	Senior Vice President and Group President, Defense and Industrial
Michael J. Tokich	35	Vice President and Corporate Controller

The following is a brief account of the business experience during the past five years of each such executive officer:

Les C. Vinney serves as President and Chief Executive Officer. He assumed this role in July 2000. Mr. Vinney joined the Company's Board of Directors in March 2000 at the same time as he was appointed to

his previous role as the Company's President and Chief Operating Officer. Mr. Vinney joined STERIS as Senior Vice President and Chief Financial Officer in August 1999. He became Senior Vice President Finance and Operations in October 1999. Immediately before his employment with STERIS, Mr. Vinney served as Senior Vice President and Chief Financial Officer at The BF Goodrich Company, a manufacturer of advanced aerospace systems, performance materials, and engineered industrial products. During his eight year career with BF Goodrich, Mr. Vinney held a variety of senior operating and financial management positions, including Vice President and Treasurer, President and CEO of the former Tremco subsidiary, and Senior Vice President, Finance and Administration of BF Goodrich Specialty Chemicals.

William L. Aamoth serves as Vice President and Corporate Treasurer. He joined the Company in March 2001. Prior to joining the Company, Mr. Aamoth was employed by Hayes Lemmerz International, a manufacturer of automotive wheels, brakes, and related systems, from January 2000 through January 2001, serving as Treasurer. From May 1992 to December 1999, Mr. Aamoth was employed by TRW, Inc., a manufacturer and service provider of automotive, aerospace, and information technology products, serving most recently as Assistant Treasurer, International.

Laurie Brlas serves as Senior Vice President and Chief Financial Officer. She joined the Company in April 2000. Prior to joining STERIS, Ms. Brlas was employed by OfficeMax, Inc., a retailer of goods and services to business customers and consumers, from September 1995 through April 2000, serving most recently as Senior Vice President and Corporate Controller.

Dr. Peter A. Burke serves as Senior Vice President and Chief Technology Officer. He became Senior Vice President in March 2002. Dr. Burke joined the Company in March 2001 as Vice President and Chief Technology Officer. Prior to joining STERIS, Dr. Burke was employed by Carter-Wallace, Inc., a manufacturer and distributor of consumer and pharmaceutical products, from January 1996 to March 2001, serving most recently as Vice President, Research and Development.

David L. Crandall serves as Vice President and Group President, Applied Infection Control. He joined the Company in April 2000 and served as Vice President, Manufacturing and Distribution until April 2003. Prior to joining the Company, Mr. Crandall was employed by United Technologies Group, a manufacturer of high technology products for the aerospace and building systems industries, from December 1968 to April 2000, serving most recently as Director of Manufacturing, North American Operations.

Charles L. Immel serves as Senior Vice President and Group President, Healthcare. He joined the Company in May 2001 and served as Senior Vice President, Sales and Marketing and President, Commercial Products until April 2003. Prior to joining STERIS, Mr. Immel was employed by Baxter Healthcare Corporation, a medical products and services company specializing in critical care applications, from July 1983 to May 2001, serving most recently as Vice President and General Manager of Baxter's Therapeutic Commercial Business.

Mark D. McGinley serves as Vice President, General Counsel, and Secretary. He joined the Company in March, 2002. Prior to joining STERIS, Mr. McGinley was employed by Noveon, Inc., an international specialty chemicals manufacturer. Mr. McGinley also served as Associate General Counsel of The Glidden Company and was employed by the BF Goodrich Company from 1990 to 2000 in various legal capacities, including General Counsel of BF Goodrich Sealants, Coatings and Adhesives Group.

Robert E. Moss serves as Vice President and Group President, STERIS Isomedix Services. He served as Vice President and General Manager of Isomedix Services from 1999 until April 2003. Mr. Moss joined the Company in 1990 serving as Vice President Operations until 1999. Prior to joining the Company, Mr. Moss held senior leadership positions with Cardinal Health and Divisions of the American Hospital Supply Corporation.

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Morten C. Nielsen serves as Vice President and Group President, Life Sciences. He joined the Company in March 2002 serving as President Commercial Operations Europe until April 2003. Prior to joining the Company he served as Vice President Europe for the Boston Scientific Corporation, a manufacturer of medical devices for less invasive therapies, from 1997 until March 2002, and held senior management positions with American Home Products.

Gerard J. Reis serves as Senior Vice President and Group President, Defense and Industrial. He joined the Company in July 1994 as Vice President, Administration. He served as Senior Vice President, Administration from October 1999 until April 2003.

Michael J. Tokich serves as Vice President and Corporate Controller. He joined the Company in May 2000 as Assistant Corporate Controller. He became Corporate Controller in December 2000. Prior to joining the Company, Mr. Tokich was employed by OfficeMax, Inc., a retailer of goods and services to business customers and consumers, from July 1994 to May 2000, serving most recently as Divisional Vice President, Assistant Controller.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS, AND ISSUER PURCHASE OF EQUITY SECURITIES

Market Information and Dividends

The Company's Common Shares are traded on the New York Stock Exchange under the symbol "STE." The following table sets forth, for the periods indicated, the high and low sales prices for the Company's Common Shares.

	Quarters Ended			
	<u>March 31</u>	<u>December 31</u>	<u>September 30</u>	<u>June 30</u>
Fiscal 2004				
High	\$ 26.44	\$ 23.46	\$ 24.49	\$ 28.24
Low	21.98	19.50	21.60	19.40
Fiscal 2003				
High	\$ 27.00	\$ 27.66	\$ 25.11	\$ 23.25
Low	22.50	21.49	16.30	17.08

The Company has not paid any cash dividends on its Common Shares since its inception. Payment of dividends, if any, in the future is subject to the discretion of the Company's Board of Directors. At May 28, 2004, there were approximately 1,668 shareholders of record of the Company's Common Shares.

Issuer Purchases of Equity Securities

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 Company purchased no Common Shares under the Company's Share repurchase programs during its fourth quarter of fiscal 2004.

ITEM 6. SELECTED FINANCIAL DATA

	Years Ended March 31,				
	2004(1)(4)	2003(1)(4) (5)	2002(1)(4) (5)	2001(2)(4) (5)	2000(3)(4) (5)
(in thousands, except per share data)					
Statements of Income Data:					
Net revenues	\$ 1,087,012	\$ 972,087	\$ 866,697	\$ 800,087	\$ 760,626
Gross profit	457,899	408,821	355,201	311,458	298,825
Income from operations	140,356	125,769	80,613	24,174	29,706
Net income	\$ 94,243	\$ 79,436	\$ 46,202	\$ 1,317	\$ 10,485
Net income per Common Share — basic	\$ 1.36	\$ 1.14	\$ 0.67	\$ 0.02	\$ 0.16
Shares used in computing net income per share — basic	69,521	69,434	69,163	67,946	67,489
Net income per Common Share — diluted	\$ 1.33	\$ 1.12	\$ 0.65	\$ 0.02	\$ 0.15
Shares used in computing net income per share — diluted	70,742	70,870	70,607	68,981	68,567
Balance Sheet Data:					
Working capital	\$ 272,250	\$ 163,381	\$ 146,534	\$ 180,286	\$ 228,200
Total assets	1,069,810	894,992	841,572	844,980	903,574
Long-term indebtedness	109,090	59,704	115,228	205,825	268,700
Total liabilities	389,111	325,462	354,427	420,596	482,480
Total shareholders' equity	680,699	569,530	487,145	424,384	421,094

(1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(2) Earnings for fiscal 2001 include a charge of \$41,476, primarily related to plans for manufacturing consolidations, productivity improvements, and associated workforce reductions. Of the \$41,476 charge, \$21,510 was charged to cost of products sold and \$19,966 was charged to selling, general, and administrative expenses in the consolidated statements of income.

(3) Earnings for fiscal 2000 include a charge of \$39,722, primarily related to plans for manufacturing consolidations, productivity improvements, and associated workforce reductions. Of the \$39,722 charge, \$24,808 was charged to cost of products sold and \$14,914 was charged to selling, general, and administrative expenses in the consolidated statements of income.

(4) Beginning in fiscal 2003, the Company ceased amortizing goodwill in accordance with Statement of Financial Accounting Standard 142. Goodwill amortization, net of tax, in the preceding years was \$5,227 in fiscal 2002; \$4,974 in fiscal 2001; and \$3,296 in fiscal 2000.

(5) Certain reclassifications have been made to conform to the fiscal 2004 presentation.

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

The following sections of Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with information contained in Item 1, "Business," Item 6, "Selected Financial Data," and information contained in the Company's consolidated financial statements, included in Item 8, "Financial Statements and Supplemental Data."

Non-GAAP Financial Measures

In the following sections of Management's Discussion and Analysis of Financial Condition and Results of Operations and in Item 1, "Business," the Company, at times, may refer to information extracted from the Company's consolidated financial statements, but not required to be presented in the financial statements under accounting principals generally accepted in the United States. Certain of this information is considered to be "non-GAAP financial measures" under the Securities and Exchange Commission rules. Specifically, the Company defines the following financial measures used in the context of this report on Form 10-K as follows:

Free Cash Flow- is defined by the Company as cash flows from operating activities as presented in the consolidated statements of cash flows, which are presented in Item 8, "Financial Statements and Supplemental Data," less capital expenditures. Thus for the year ended March 31, 2004, free cash flow amounted to \$55.7 million (\$123.3 million cash flows from operating activities, less capital expenditures of \$67.6 million). For the year ended March 31, 2003, free cash flow amounted to \$74.7 million (\$133.3 million cash flows from operating activities, less capital expenditures of \$58.6 million). Management uses this as a measure to gauge the Company's ability to sustain basic operations.

Backlog- is defined by the Company as the amount of unfilled purchase orders at a point in time. Thus, at March 31, 2004 and 2003, the Company's backlog amounted to \$129.6 million and \$147.5 million, respectively. Management uses this as a measure to assist in the projection of short-term financial results of the Company.

Debt to Capital- is defined by the Company as total long-term debt divided by the sum of long-term debt and shareholders' equity. The components of the calculation are presented in the Company's consolidated financial statements, which are included in Item 8, "Financial Statements and Supplemental Data." Thus, at March 31, 2004, debt to capital amounted to 13.8% (\$109.1 million long-term debt divided by the sum of \$109.1 million long-term debt plus \$680.7 million shareholders' equity). At March 31, 2003, debt to capital amounted to 9.50% (\$59.7 million long-term debt divided by the sum of \$59.7 million long-term debt plus \$569.5 million shareholders' equity). Management uses this as a measure to gauge the Company's ability to borrow, provide strength/protection against creditors, fund growth, develop outside of basic business operations, and measure the risk of the Company's financial structure.

Days Sales Outstanding- is defined by the Company as the average collection period for sales revenue. The components of the calculation are presented in the Company's consolidated financial statements, which are included in Item 8, "Financial Statements and Supplemental Data." At March 31, 2004, this measure can be calculated as accounts receivable (\$255.4 million) divided by the trailing four quarters sales revenue (\$1.09 billion) multiplied by 365. Thus at March 31, 2004, the Company's days sales outstanding amounted to approximately 86 days. At March 31, 2003, this measure can be calculated as accounts receivable (\$211.7 million) divided by the trailing four quarters sales revenue (\$972.1 million) multiplied by 365. Thus at March 31, 2003, the Company's days sales outstanding amounted to approximately 79 days. Management uses this figure to help gauge cash flows from operations.

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In addition to the above-referenced non-GAAP financial measures, the Company sometimes refers to operating profit, operating margin, net income, earnings per share, and other financial figures on an "as adjusted" basis, excluding certain transactions or amounts that are non-recurring or are not indicative of future results, in order to provide meaningful comparative analysis between the years presented. For example, when discussing changes in net revenues, the Company may, at times, exclude the impact of the Hamo Holding AG ("Hamo") business acquisition on fiscal 2004 financial results.

The Company has presented these measures because it believes that meaningful analysis of the Company's financial performance requires an understanding of certain additional factors underlying that performance and the Company's judgments about those particular factors.

The Company has not presented non-GAAP financial measures in the context of its consolidated financial statements, included in Item 8, "Financial Statements and Supplementary Data."

General Company Overview and Outlook

STERIS Corporation is an industry leader in the development, manufacturing, and marketing of 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. During fiscal 2004, the Company made significant progress towards achieving its strategic objectives and was able to surpass the \$1.0 billion revenue mark for the first time in Company history. This progress toward achieving the Company's strategic objectives included:

- Research and development of new technological innovations.
- Implementation of cost reduction and quality initiatives.
- Acquisition and investment in businesses that complement and expand the Company's existing product and service offerings and allow the Company to expand its offerings to additional markets around the world.
- Attracting and retaining talented individuals who are responsible for executing and delivering on the Company's commitment to quality, customer service, and value to shareholders.

Detailed discussion of the Company's fiscal 2004 performance is included in the sub-section of Management's Discussion and Analysis of Financial Condition and Results of Operations titled "Results of Operations." Further discussion of the Company's fiscal 2004 performance related to each of its business segments is included in the sub-section titled "Business Segment Results of Operations."

Looking ahead, the Company is committed to achieving a competitive advantage in its industries through technological innovations, investments in research and development, and product and geographic breadth. The Company anticipates that industry growth, coupled with market share gains, success of new products and services, and the integration of business acquisitions completed during fiscal 2004 will result in continued revenue and earnings growth for fiscal 2005.

Matters Affecting Comparability

The Company's operating results for fiscal 2004 include the operating results for its business acquisitions completed during the fiscal year. The primary business acquisition completed during fiscal 2004 was the acquisition of Hamo, a leading provider of washing/decontamination systems used in the healthcare, pharmaceutical, and research industries. This transaction, which gives the Company a stronger European presence and allows the Company to offer a wider range of sterile processing solutions to customers worldwide, was completed as of April 8, 2003. The addition of Hamo to the Company's operations contributed \$38.3 million to total net revenues for the year ended March 31, 2004.

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As the Company conducts business throughout the world using various local currencies, the Company's operating results are impacted by currency movements relative to the U.S. dollar. During fiscal 2004, the Company's net revenues were favorably impacted by approximately 2.3% as a result of foreign currency movements in relation to the U.S. dollar.

Results of Operations

The following subsections provide commentary regarding the results of operations of the Company for fiscal 2004 as compared to fiscal 2003 and for fiscal 2003 as compared to fiscal 2002.

Fiscal Year 2004 as Compared to Fiscal Year 2003

The following subsections describe some of the significant components of the Company's results of operations and provide a comparison of the year ended March 31, 2004 to the year ended March 31, 2003.

Net Revenue

The following table illustrates the change in net revenue for the year ended March 31, 2004 as compared to the year ended March 31, 2003:

	2004	2003	Change	Percent Change
<i>(dollars in thousands)</i>				
Net Revenues				
Product revenue	\$ 754,521	\$ 687,024	\$ 67,497	9.8%
Service revenue	332,491	285,063	47,428	16.6%
Total Net Revenues	\$ 1,087,012	\$ 972,087	\$ 114,925	11.8%

Total net revenues consist of product and service revenues from the Company's three business segments, net of sales returns and allowances.

Product net revenue consists primarily of net revenue from the sterile processing family of products, which includes sterilizers, washing systems, freeze dryers, and VHP technology; the surgical support family of products, which includes lights, tables, and ceiling management systems; the accessory family of products, which includes sterilization, washer, light, and table accessory products; and the consumable product family, which includes STERIS SYSTEM 1[®] consumables and various wraps, lotions, and cleaning consumables. For the year ended March 31, 2004, product net revenues represented 69.4% of total net revenues, as compared to 70.7% of total net revenues for the year ended March 31, 2003.

Service net revenue consists primarily of net revenue from parts and labor in connection with the servicing of the Company's capital products, as well as net revenues from the STERIS Isomedix Services segment. For the year ended March 31, 2004, service net revenue was 30.6% of total net revenues, as compared with 29.3% of total net revenues for the year ended March 31, 2003.

On a consolidated basis, total net revenues increased 11.8% to \$1.09 billion for the year ended March 31, 2004 as compared to \$972.1 million for the prior fiscal year. The year over year net revenue growth was a result of the Company's marketing programs, pricing strategies, the introduction of new products and services developed internally and through strategic alliances, the continued penetration of new international markets, and tactical acquisitions. Fiscal 2004 net revenues were favorably impacted by approximately 2.3% as a result of foreign currency movements in relation to the U.S. dollar. Of the \$114.9 million year over year change in net revenues, \$41.5 million can be attributed to the integration of Hamo and Sterion to the Company's fiscal 2004 operations. Excluding the impact of the Hamo business acquisition and the Sterion asset purchase, organic net revenue growth was 7.6% during fiscal 2004.

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For the year ended March 31, 2004, consolidated net revenues derived from the sale of capital equipment were \$534.1 million, or 49.1% of consolidated net revenues, as compared to \$467.6 million, or 48.1%, for the year ended March 31, 2003, representing an increase of \$66.5 million, or 14.2%, year over year.

For the year ended March 31, 2004, consolidated net revenues generated from recurring revenue streams, which consists of consumable products and services offered by the Company, were \$552.9 million, or 50.9% of consolidated net revenues, as compared to \$504.5 million, or 51.9%, for the year ended March 31, 2003, representing an increase of \$48.4 million, or 9.6%, year over year.

Further discussion regarding the Company's fiscal 2004 segment net revenues and a detailed analysis of the change in fiscal 2004 segment net revenues as compared to fiscal 2003 is included in the subsection of Management's Discussion and Analysis of Financial Condition and Results of Operations titled "Business Segment Results of Operations."

The following table illustrates the change in total net revenue on a geographic basis for the year ended March 31, 2004 as compared to March 31, 2003.

	2004	2003	Change	Percent Change	Percent of Total Net Revenues	
					2004	2003
<i>(dollars in thousands)</i>						
Net Revenues						
United States	\$ 842,512	\$ 786,239	\$ 56,273	7.2%	77.5%	80.9%
International	244,500	185,848	58,652	31.6%	22.5%	19.1%
Total Net Revenues	\$ 1,087,012	\$ 972,087	\$ 114,925	11.8%	100%	100%

For the year ended March 31, 2004, international net revenues represented 22.5% of total net revenues as compared to 19.1% for the year ended March 31, 2003. As compared to the year ended March 31, 2003, total international net revenues increased 31.6%. Of the \$58.7 million year over year change in international revenues, \$32.7 million can be attributed to the integration of the Hamo product and service offerings. Excluding the impact of the Hamo business acquisition, organic international revenue growth was \$26.0 million, or 14.0%.

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Cost of Revenues

The following table illustrates the change in the cost of revenues for the year ended March 31, 2004 as compared to March 31, 2003 and provides a comparison of the Company's gross profit information for fiscal 2004 as compared to fiscal 2003:

<i>(dollars in thousands)</i>	<u>2004</u>	<u>2003</u>	<u>Change</u>	<u>Percent Change</u>
Cost of Revenues				
Product	\$ 439,915	\$ 392,964	\$ 46,951	11.9%
Service	189,198	170,302	18,896	11.1%
Total Cost of Revenues	\$ 629,113	\$ 563,266	\$ 65,847	11.7%
Gross Profit				
Product	\$ 314,606	\$ 294,060	\$ 20,546	7.0%
Service	143,293	114,761	28,532	24.9%
Total Gross Profit	\$ 457,899	\$ 408,821	\$ 49,078	12.0%
Gross Profit Percentage				
Product	41.7%	42.8%		
Service	43.1%	40.3%		
Total Gross Profit Percentage	42.1%	42.1%		

The cost of revenues as a percentage of total consolidated net revenues remained flat at 57.9% in both fiscal 2004 and fiscal 2003, with the corresponding gross profit percentage remaining flat at 42.1%. The gross profit percentage remained flat in fiscal 2004 as compared to fiscal 2003 due to the shift in the product mix in fiscal 2004 which included higher sales volumes of lower margin capital equipment relative to the prior fiscal year, offset by higher service margins. In absolute dollars, the cost of revenues increased 11.7% in fiscal 2004 to \$629.1 million from \$563.3 million during fiscal 2003.

Operating Expenses

The following table illustrates the change in operating expenses for the year ended March 31, 2004 as compared to the year ended March 31, 2003:

<i>(dollars in thousands)</i>	<u>2004</u>	<u>2003</u>	<u>Change</u>	<u>Percent Change</u>
Operating Expenses				
Selling, general, and administrative	\$ 289,089	\$ 257,527	\$ 31,562	12.3%
Research and development	28,454	25,525	2,929	11.5%
Total Operating Expenses	\$ 317,543	\$ 283,052	\$ 34,491	12.2%

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Significant components of total selling, general, and administrative expenses are compensation and associated costs, fees for professional services, travel and entertainment, and other general and administrative operating expenses. As a percent of total net revenues, selling, general, and administrative expenses were 26.6% for the year ended March 31, 2004 as compared to 26.5% for the year ended March 31, 2003. For the year ended March 31, 2004, professional service fees increased \$6.9 million, or 33.0%, as compared to the year ended March 31, 2003. The increased fees for professional services are primarily a result of the Company's ongoing efforts to fully implement and integrate an enterprise resource planning ("ERP") system. Travel and entertainment expenses for fiscal 2004 amounted to \$18.8 million, representing an increase of 7.9% over the prior year ended March 31, 2003. Travel and entertainment expenses increased during fiscal 2004 as a result of additional travel resulting from the Company's business acquisitions and integration thereof, additional travel costs related to marketing and promotion of the Company's products and services, as well as travel expenses related to sales force activities. General and administrative expenses increased by approximately \$11.9 million for the year ended March 31, 2004, as compared to the year ended March 31, 2003. The most significant component of the change in general and administrative expenses was insurance expense, which increased \$1.9 million, or 16.0% from the prior fiscal year. Increased insurance expense for fiscal 2004 was primarily a result of increased coverage and premium expense across all of the Company's operations, foreign and domestic.

As a percent of total net revenues, research and development expenses were 2.6% for the years ended March 31, 2004 and 2003. As compared to the year ended March 31, 2003, research and development expenses increased by \$2.9 million, or 11.5%, during fiscal 2004. The increase in research in development expenses, year over year, is attributable to an increased emphasis on new product development, existing product improvement, and research and development facility enhancement projects.

Interest Expense, net

The following table illustrates the change in interest expense, net for the year ended March 31, 2004 as compared to the year ended March 31, 2003:

	<u>2004</u>	<u>2003</u>	<u>Change</u>	<u>Percent Change</u>
<i>(dollars in thousands)</i>				
Interest Expense, Net	\$ 2,272	\$ 1,651	\$ 621	37.6%

Interest expense, net consists primarily of interest expense on long-term debt, offset by interest earned on cash, cash equivalents, and short-term investment balances. The increase in interest expense, net for the year ended March 31, 2004 as compared to the year ended March 31, 2003 is primarily a result of an increase in the average outstanding debt balance during fiscal 2004, a majority of which related to additional debt from the \$100 million private placement completed in December 2003. Additional information regarding the \$100 million private placement is included in Note 6 to the Company's consolidated financial statements, "Long-Term Debt," and in the subsection of Management's Discussion and Analysis of Financial Condition and Results of Operations titled "Liquidity and Capital Resources."

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Income Taxes

The following table illustrates the change in income tax expense for the year ended March 31, 2004 as compared to the year ended March 31, 2003 and provides a comparison of the effective tax rate for the year ended March 31, 2004 as compared to March 31, 2003:

	<u>2004</u>	<u>2003</u>	<u>Change</u>	<u>Percent Change</u>
<i>(dollars in thousands)</i>				
Income Taxes	\$43,841	\$44,682	\$ (841)	-1.9%
Effective Tax Rate	31.7%	36.0%		

For fiscal 2004, the Company realized a lower effective tax rate as compared to fiscal 2003. The effective tax rates for both years are different from the U.S. federal statutory income tax rate. The effective tax rate variance from the U.S. federal statutory income tax rate in fiscal 2004 is due primarily to tax planning initiatives which have resulted in the Company's ability to recognize foreign tax benefits in the U.S. related to taxes paid on earnings of foreign operations. The fiscal 2003 variance is due to state and local income taxes and a favorable change in the method in which research and development credits are calculated.

Business Segment Results of Operations

Effective April 1, 2003, management realigned the Company into three business segments to focus resources on specific missions and customer groups to achieve the Company's long-term strategic initiatives and to capture targeted growth opportunities. As a result, the Company began reporting in three business segments: Healthcare, Life Sciences, and STERIS Isomedix Services. The following provides a brief description of each business segment:

- **Healthcare Segment-** includes the Company's Healthcare business and the Company's skincare business, now known as Applied Infection Control. The Healthcare segment competes within a variety of areas in the global medical products 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 unit consists of hygiene and infection control products sold into acute care, non-acute care, and institutional/industrial markets.
- **Life Sciences Segment-** consists of the Life Sciences business and 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 public and private 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.
- **STERIS Isomedix Services Segment-** generally consists of contract sterilization, microbiological reduction, and materials modification services in the form of ethylene oxide, gamma, and electron beam processing technologies. This segment serves customers in several diverse industries including medical devices, labware, pharmaceuticals, food packaging, spices, cosmetics, and materials modification.

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The following table provides a summary of the Company's net revenues by business segment for fiscal 2004 as compared to fiscal 2003. It should be read in conjunction with the detailed analysis that follows. Fiscal 2003 financial information has been reclassified based upon the fiscal 2004 segment reporting structure.

<i>(dollars in thousands)</i>	<u>2004</u>	<u>2003</u>	<u>Change</u>	<u>Percent Change</u>
Net Revenues				
Healthcare	\$ 752,881	\$ 697,451	\$ 55,430	7.9%
Life Sciences	246,116	195,302	50,814	26.0%
STERIS Isomedix Services	88,015	79,334	8,681	10.9%
Total Net Revenues	<u>\$ 1,087,012</u>	<u>\$ 972,087</u>	<u>\$ 114,925</u>	<u>11.8%</u>

Healthcare- Healthcare segment net revenues represented 69.3% of total net revenues for the year ended March 31, 2004 as compared to 71.7% for the year ended March 31, 2003. The increase in Healthcare net revenues for fiscal 2004 of 7.9% is primarily a result of net revenues realized from acquired businesses and strong service net revenue growth. During 2004, the integration of the operations of Hamo resulted in Healthcare net revenue of \$23.1 million. These revenues represent 41.7% of the \$55.4 million year over year change in Healthcare net revenue. Excluding the impact of the Hamo business acquisition, Healthcare net revenue increased 4.6% during fiscal 2004 as compared to fiscal 2003. Demand for smaller order capital goods from hospitals decreased during fiscal 2004. It would appear that many hospitals are spending their limited capital budgets on larger facility construction projects, which may be forcing them to slow down replacement equipment purchases. The slowdown in hospital expenditures for replacement equipment was partially offset by an increased focus on service offerings, as hospital customers attempted to extend the life of existing equipment. During fiscal 2004, the Company improved its service offerings, by introducing five new levels of service provisions to better meet customer needs. These new service offerings in fiscal 2004 also served to drive an increase in Healthcare services net revenue. For fiscal 2005, the Company expects the lower level of expenditures for replacement equipment by hospitals to continue. The Company expects that increased service purchases by hospitals, enhanced service lines, successful integration of fiscal 2004 business acquisitions, and the introduction of new product offerings will help to offset the potential diminution of capital expenditures by hospitals.

Life Sciences- Life Sciences segment net revenues represented 22.6% of total net revenues for the year ended March 31, 2004 as compared to 20.1% for the year ended March 31, 2003. The increase in Life Sciences net revenues for fiscal 2004 of 26.0% is primarily a result of net revenues realized from acquired businesses, strong demand from the pharmaceutical industry, and increased net revenues from the Defense and Industrial business, where the Company is collaborating with the United States Department of Defense regarding certain chemical and biological decontamination products. During fiscal 2004, the integration of the operations of Hamo resulted in Life Sciences product net revenue of \$15.2 million. These revenues represent 29.9% of the \$50.8 million year over year change in Life Sciences product net revenue. Excluding the impact of the Hamo business acquisition, Life Sciences net revenue increased 18.2% during fiscal 2004 as compared to fiscal 2003. For fiscal 2005, the Company expects continued net revenue growth from pharmaceutical companies, particularly in the European market. The Company also anticipates continued growth in net revenues from its work with governmental entities, such as the Department of Defense and the Federal Aviation Administration.

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STERIS Isomedix Services- STERIS Isomedix Services net revenue represented 8.1% of total net revenues for the year ended March 31, 2004 as compared to 8.2% for the year ended March 31, 2003. The increase in STERIS Isomedix Services net revenues for fiscal 2004 of 10.9% is primarily a result of increased demand from medical device manufacturers for ethylene oxide sterilization. During fiscal 2004, the Company began to fill recently expanded gamma irradiation capacity in several locations which is expected to satisfy foreseeable demand requirements.

The following table provides a summary of the Company's operating results by business segment for fiscal 2004 as compared to fiscal 2003. It should be read in conjunction with the detailed analysis that follows. Fiscal 2003 financial information has been reclassified based upon the fiscal 2004 segment reporting structure.

<i>(dollars in thousands)</i>	<u>2004</u>	<u>2003</u>	<u>Change</u>	<u>Percent Change</u>
Operating Income				
Healthcare	\$ 121,748	\$ 114,232	\$ 7,516	6.6%
Life Sciences	4,977	795	4,182	526.0%
STERIS Isomedix Services	13,631	10,742	2,889	26.9%
Total Operating Income	<u>\$ 140,356</u>	<u>\$ 125,769</u>	<u>\$ 14,587</u>	<u>11.6%</u>

To calculate segment operating income, the Company reduces the respective segment's net revenues by direct expenses and indirect cost allocations, which reflect the full allocation of all distribution, corporate, and research and development expenses. Corporate cost allocations are typically based on each segment's portion of net revenues, headcount, or other variables in relation to the total Company.

The Company's consolidated operating income increased \$14.6 million, or 11.6%, to \$140.4 million during fiscal 2004 from \$125.8 million during fiscal 2003.

The Healthcare segment's operating income increased 6.6%, or \$7.5 million, compared to fiscal 2003, attributable to a 7.9% increase in revenue generated by certain general product and service pricing initiatives, a favorable mix shift from lower margin capital goods to higher margin consumable products and services, which were complemented with the acquisitions of Hamo and the Sterion product line. The impact of these increases was partially offset by increased direct and indirect operating expenses as discussed above in the section titled "Operating Expenses."

The Life Sciences segment's operating income increased significantly year over year to \$5.0 million compared to \$0.8 million in the prior fiscal year. The increase in Life Sciences segment's operating income was attributable to increased net revenues of 26.0% during fiscal 2004 resulting from increased customer demand, the favorable impact of foreign currency exchange rates during fiscal 2004, and the incremental impact of the Hamo acquisition. In addition, the continued initiatives focused on improvements of manufacturing processes resulted in additional operational efficiencies, which also contributed to the year over year increase in operating income. The impact of these increases was partially offset by increased direct and indirect operating expenses as discussed above in the section titled "Operating Expenses."

STERIS Isomedix Services segment year over year operating income increased 26.9% during fiscal 2004 to \$13.6 million compared to \$10.7 million during fiscal 2003. STERIS Isomedix Services segment's operating income increase was attributable to net revenue growth of 10.9% during fiscal 2004 versus fiscal

2003, successful pricing initiatives, and increased customer demand for higher margin services. The impact of these increases was partially offset by increased direct and indirect operating expenses as discussed above in the section titled "Operating Expenses."

Fiscal Year 2003 as Compared to Fiscal Year 2002

Overview

During fiscal 2003, the Company continued to strengthen financially due to the execution of the Company's operational and strategic initiatives. Revenues for fiscal 2003 increased \$105.4 million or 12.2% to \$972.1 million, compared to \$866.7 million in fiscal 2002. Year over year revenue growth was driven by increased demand in each of the Company's Healthcare, Life Sciences, and STERIS Isomedix Services Segments.

Gross margins increased 15.1% or \$53.6 million to \$408.8 million, which was 42.1% of revenue during fiscal 2003 compared to \$355.2 million or 41.0% of revenue in fiscal 2002. The gross margin improvement realized in fiscal 2003 was due to effective price improvement initiatives, cost savings generated from the deployment of more efficient distribution strategies, and benefits of plant consolidations. Gross margins in fiscal 2002 were negatively impacted by plant consolidation costs and inefficiencies caused by capacity constraints.

Operating expenses decreased as a percentage of revenues to 29.1% in fiscal 2003, as compared to 31.7% in fiscal 2002. The improvement in fiscal 2003 was due to the Company's successful efforts to effectively leverage its selling, general, and administrative resources to generate additional revenue during fiscal 2003. While the Company held selling, general, and administrative expenses relatively flat year over year, the Company increased investment in research and development in an effort to stimulate new product development.

Net income increased \$33.2 million or 71.9% to \$79.4 million, or \$1.12 per diluted share in fiscal 2003, compared with fiscal 2002 net income of \$46.2 million, or \$0.65 per diluted share. The Company's development and successful execution of strategies to improve earnings and strengthen its financial position resulted in increased earnings. Increased revenues combined with effective efforts to control costs and create efficiencies, including lowering interest costs by reducing debt levels, generated the year over year net income improvement. In addition, the effective tax rate declined 1.0% to 36.0% in fiscal 2003 from 37.0% in fiscal 2002.

The Company produced cash flows from operations of \$133.3 million in fiscal 2003, a decrease of 6.1% compared with fiscal 2002 operating cash flows of \$142.0 million. The Company used the cash flows primarily to reduce its outstanding debt by \$58.1 million and to purchase \$16.1 million of the Company's Common Shares. The reduction of the Company's debt levels reduced its debt-to-capital ratio to 9.5% at March 31, 2003 as compared to 19.1% at March 31, 2002. The Company also utilized these cash flows to invest in \$58.6 million of property, plant, and equipment as the Company continued to increase its production capacity and began the implementation of a new ERP system.

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Results of Operations

Net Revenues and Cost of Revenues

	2003	2002	Change	Percent Change
<i>(dollars in thousands)</i>				
Healthcare	\$ 697,451	\$ 635,821	\$ 61,630	9.7%
Life Sciences	195,302	158,296	37,006	23.4%
STERIS Isomedix Services	79,334	72,580	6,754	9.3%
Total net revenues	972,087	866,697	105,390	12.2%
Cost of revenues	563,266	511,496	51,770	10.1%
Gross profit	\$ 408,821	\$ 355,201	\$ 53,620	15.1%
Gross profit percentage	42.1%	41.0%		

The increase in Healthcare revenues for fiscal 2003 reflected a higher level of capital spending among U.S. hospitals. The increase in Life Sciences revenues reflected strong demand primarily from pharmaceutical producers and from capacity expansions. Both segments benefited in fiscal 2003 from the successful introduction of new products.

Net revenues for fiscal 2003 from capital goods were \$467.6 million, or 48.1% of consolidated revenues, as compared to \$405.3 million, or 46.8%, in fiscal 2002. Revenues from capital goods increased \$62.3 million, or 15.4% in fiscal 2003 compared to fiscal 2002. Fiscal 2003 recurring revenues contributed \$504.5 million, or 51.9% of consolidated revenues, as compared to \$461.4 million, or 53.2%, in fiscal 2002. Recurring revenues from consumables and services increased \$43.1 million, or 9.3% in fiscal 2003 compared to fiscal 2002.

United States revenues for fiscal 2003 were \$786.2 million, or 80.9% of consolidated revenues, with \$185.9 million, or 19.1% from international markets. United States revenues for fiscal 2002 were \$733.6 million, or 84.6% of total revenues, with \$133.1 million, or 15.4% from international markets.

Cost of revenues increased 10.1% in fiscal 2003 to \$563.3 million from \$511.5 million in fiscal 2002. The cost of revenues as a percentage of revenues was 57.9% in fiscal 2003 compared to 59.0% in fiscal 2002. The corresponding gross profit percentage for fiscal 2003 was 42.1% compared to 41.0% in fiscal 2002. Gross profit increased in fiscal 2003 due to pricing improvements and cost savings from distribution efficiencies. These margin improvements were offset by an increase in sales of lower gross profit Life Sciences capital equipment. In fiscal 2002, gross profit was negatively impacted by inefficiencies related to the Company's capacity expansion efforts and continuing plant consolidation costs associated with selected product lines. These continuing plant consolidation costs consisted primarily of moving costs for inventory and machinery and equipment that will be utilized at other locations, as well as continuing employee relocation and retraining costs. Most plant consolidation efforts were completed by March 2002.

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Operating Expenses

	2003	2002	Change	Percent Change
<i>(dollars in thousands)</i>				
Selling, general, and administrative	\$ 257,527	\$ 252,882	\$ 4,645	1.8%
Research and development	25,525	21,706	3,819	17.6%
Total operating expenses	\$ 283,052	\$ 274,588	\$ 8,464	3.1%

Selling, general, and administrative expenses, as a percent of revenues, were 26.5% and 29.2% in fiscal 2003 and fiscal 2002, respectively, as management continued its focus on controlling costs while supporting revenue growth.

Selling, general, and administrative expenses increased \$4.6 million, or 1.8%, to \$257.5 million in fiscal 2003 compared to \$252.9 million in fiscal 2002. Compensation increased \$6.3 million as a result of merit increases as well as increased benefit costs and a redesigned commission plan. Professional fees increased \$7.5 million as a result of increased consulting hours related to the Company's system implementation project. Travel and entertainment expenses increased \$1.3 million in fiscal 2003 due to additional travel resulting from increased revenue growth, as well as lower expenses in fiscal 2002 due to a period of time following September 11, 2001 when all nonessential travel was cut. Insurance and tax expenses increased \$5.0 million as a result of an increase in casualty and property premiums and self-insurance loss experience. These increases were offset by decreased commission expenses of \$3.8 million due to the redesigned commission plan, decreased marketing expenses of \$3.4 million as a result of the Company's cost control efforts, decreased administrative expenses of \$4.9 million reflecting the benefit of a legal settlement, and decreased depreciation and amortization expenses of \$3.2 million resulting from the adoption of SFAS 142 and the elimination of goodwill amortization.

Research and development expenses increased 17.6% to \$25.5 million in fiscal 2003 compared to \$21.7 million in fiscal 2002. Research and development expenses as a percent of revenues were 2.6% in fiscal 2003 compared to 2.5% in fiscal 2002. The increase is related to an increased emphasis on product development, as well as increased salary and facility expansion expenses.

Interest Expense, Net

Interest expense, net, decreased 76.7% to \$1.7 million in fiscal 2003 compared to \$7.3 million in fiscal 2002. The decrease was due primarily to the effects of lower interest rates and the reduction in the amount of debt outstanding. Additionally, the Company reduced its outstanding debt \$55.2 million in fiscal 2003 to \$61.7 million at March 31, 2003.

Income Taxes

Income tax expense was 36.0% of pretax income in fiscal 2003, compared to 37.0% in fiscal 2002. The comparable effective tax rates for both years are different from the U.S. federal statutory income tax rate primarily because of state and local income taxes, goodwill amortization (in fiscal 2002), and a favorable change in the method in which research and development credits are calculated.

[Table of Contents](#)**Liquidity and Capital Resources**

The following table summarizes significant components of the Company's cash flow statement for the years ended March 31, 2004 and 2003:

Cash Flows*(dollars in thousands)*

	<u>2004</u>	<u>2003</u>	<u>Change</u>
Operating activities:			
Net income	\$ 94,243	\$ 79,436	\$ 14,807
Non-cash items	70,826	63,429	7,397
Changes in operating assets and liabilities	(41,767)	(9,574)	(32,193)
Net cash provided by operating activities	<u>\$ 123,302</u>	<u>\$ 133,291</u>	<u>\$ (9,989)</u>
Investing activities:			
Purchases of property, plant and equipment	\$ (67,560)	\$ (58,592)	\$ (8,968)
Investment in business, net of cash acquired	(37,599)	(140)	(37,459)
Purchase of business related assets	(2,900)	—	(2,900)
Net cash used in investing activities	<u>\$ (108,059)</u>	<u>\$ (58,732)</u>	<u>\$ (49,327)</u>
Financing activities:			
Proceeds from issuance of long-term obligations	\$ 100,000	\$ —	\$ 100,000
Payments on long-term obligations and line of credit, net	(57,199)	(58,100)	901
Purchase of treasury shares	(16,609)	(16,070)	(539)
Stock option and other equity transactions, net	11,845	11,344	501
Net cash provided by (used in) financing activities	<u>\$ 38,037</u>	<u>\$ (62,826)</u>	<u>\$ 100,863</u>

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Net Cash Provided by Operating Activities

Net cash provided by operating activities was \$123.3 million for the year ended March 31, 2004 compared to \$133.3 million for the year ended March 31, 2003. The decrease in the net cash inflow from operating activities of \$10.0 million is primarily a result of an increase in the cash outflows for working capital purposes, partially offset by an increase in net income of \$14.8 million, or 18.6%, and an increase in non-cash items of \$7.4 million. The following table illustrates the key components of the Company's working capital as of March 31, 2004 and 2003:

Working Capital

<i>(dollars in thousands)</i>	<u>2004</u>	<u>2003</u>	<u>Change</u>	<u>Percent Change</u>
Cash and cash equivalents	\$ 80,408	\$ 25,941	\$ 54,467	210.0%
Accounts receivable, net	255,437	211,687	43,750	20.7%
Inventories	98,249	90,135	8,114	9.0%
Deferred income taxes	18,246	14,904	3,342	22.4%
Prepaid expenses and other assets	10,338	11,765	(1,427)	-12.1%
Total current assets	<u>\$ 462,678</u>	<u>\$ 354,432</u>	<u>\$ 108,246</u>	<u>30.5%</u>
Current portion of long-term indebtedness	\$ 4,049	\$ 1,959	\$ 2,090	106.7%
Accounts payable	67,988	72,969	(4,981)	-6.8%
Accrued income taxes	2,277	15,098	(12,821)	-84.9%
Accrued expenses and other	116,114	101,025	15,089	14.9%
Total current liabilities	<u>\$ 190,428</u>	<u>\$ 191,051</u>	<u>\$ (623)</u>	<u>-0.3%</u>
Working capital	<u>\$ 272,250</u>	<u>\$ 163,381</u>	<u>\$ 108,869</u>	<u>66.6%</u>
Debt-to-total capital ratio	13.8%	9.5%		

The most significant components of the changes in the Company's working capital for fiscal 2004 were accounts receivable, inventories, accounts payable, accrued income taxes, and accrued expenses and other. Following is a discussion of these components as of March 31, 2004 and an analysis of the change in these components from March 31, 2003.

- Accounts receivable, net- Accounts receivable, net increased 20.7% to \$255.4 million as of March 31, 2004 as compared to \$211.7 million at March 31, 2003. Several factors explain the fluctuation of accounts receivable from the prior year, including an increase in sales during the fourth quarter of fiscal 2004 of \$22.4 million as compared to the fourth quarter of fiscal 2003, the integration of the Hamo business acquisition into the operations of the Company and the change in the current year foreign currency translation adjustments as compared to the prior year. In addition, the Company's day's sales outstanding increased year over year from 79 days at March 31, 2003 to 86 days at March 31, 2004.

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- **Inventories-** Inventory increased 9.0% to \$98.2 million as of March 31, 2004 as compared to \$90.1 million at March 31, 2003. Excluding the impact of the integration of the Hamo business acquisition which contributed \$9.0 million to the March 31, 2004 inventory balance, inventory levels remained relatively constant as compared to March 31, 2003. The Company has established targeted inventory production levels at certain production plants in a process called level-loading, where a constant stream of inventory production occurs, which may result in varying levels of inventory during the year, as a result of customer demand variances.
- **Accounts payable-** Accounts payable decreased by approximately 6.8% to \$68.0 million as of March 31, 2004 as compared to \$73.0 million as of March 31, 2003. Excluding the impact of the integration of the Hamo business acquisition, which contributed \$2.6 million to the March 31, 2004 accounts payable balance, accounts payable decreased \$7.6 million, or 10.4%. Many of the Company's accounts payable obligations have varying payment dates, with some payment due dates falling before or after the Company's fiscal year-end. As a result, the Company's outstanding accounts payable balances are subject to fluctuation based upon these varying payment dates. In addition, the implementation of the Company's new ERP system during fiscal 2004 has enabled the Company to manage accounts payable more efficiently, resulting in timelier processing.
- **Accrued income taxes-** Accrued income taxes have decreased year over year as a result of lower federal and foreign income tax obligations at March 31, 2004 as compared to March 31, 2003. As of March 31, 2004, accrued federal income taxes decreased \$7.0 million to \$4.2 million as compared to \$11.2 million at the prior fiscal year end. In addition, at March 31, 2004, the Company had recorded a receivable for foreign income taxes of \$2.4 million as compared to a payable of \$2.3 million during the prior fiscal year end. These reductions in income taxes payable are a result of certain tax planning initiatives which have resulted in the Company's ability to recognize foreign tax benefits related to taxes paid on earnings of foreign operations taxed in the United States.
- **Accrued expenses and other-** Accrued expenses and other increased \$15.1 million to \$116.1 million as of March 31, 2004 as compared to the prior fiscal year-end. Significant drivers of the increase in accrued expenses and other were an increase in payroll and related liabilities of \$3.4 million from \$38.3 million at March 31, 2003 to \$42.0 million at March 31, 2004 as a result of increased compensation levels; an increase in accrued insurance reserves of \$3.0 million from \$11.1 million at March 31, 2003 to \$14.1 million at March 31, 2004 due to an increase in estimated incurred but not yet reported claims as actuarially determined; an increase in accrued dealer commissions of \$1.5 million from \$4.1 million at March 31, 2003 to \$5.6 million at March 31, 2004 as a result of increased sales and revenues; and an increase in accrued professional fees of \$2.8 million from \$5 million at March 31, 2003 to \$3.3 million at March 31, 2004 related primarily to professional fees associated with the implementation and integration of an enterprise-wide ERP system.

Net Cash Used in Investing Activities

Net cash used in investing activities was \$108.1 million for the year ended March 31, 2004 compared to \$58.7 million for the year ended March 31, 2003. The increase in the cash outflow from investing activities is primarily a result of an increase in capital expenditures of \$9.0 million, cash outflow of \$37.6 million, net of cash acquired, related to the acquisition of Hamo, and cash outflow from the purchase of Sterion business related assets of \$2.9 million.

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Net Cash Provided by (Used in) Financing Activities

Net cash provided by financing activities was \$38.0 million for the year ended March 31, 2004, as compared to net cash used in financing activities of \$62.8 million for the year ended March 31, 2003. The following discussion summarizes the significant components of cash provided by financing activities for fiscal 2004 and provides an analysis of changes in the current year cash flows from financing activities as compared to fiscal 2003:

- Proceeds from issuance of long term obligations- In December 2003, the Company issued \$100 million of notes in a private placement to certain investors. A portion of the proceeds of this transaction were used to pay off the balance in the Company's existing credit facility. Remaining amounts will enable the Company to fund future growth, potential acquisitions, and strategic arrangements. Additional discussion of the Company's long-term debt structure is included in Note 6 to the Company's consolidated financial statements, "Long-Term Debt," and in the subsection of "Liquidity and Capital Resources," titled "Sources of Credit."
- Payments on long-term obligations and line of credit facility, net- As a result of the facility terms of the \$100 million private placement, an existing unsecured revolving line of credit facility was reduced from \$325 million to \$275 million. A portion of the proceeds of the \$100 million private placement were used to pay down balances of the Company's \$275 million unsecured revolving line of credit facility (as amended and restated in March 2004). Additional discussion of the Company's credit facility structure is included in Note 6 to the Company's consolidated financial statements, "Long-Term Debt," and in the subsection of "Liquidity and Capital Resources" titled "Sources of Credit."
- Purchase of treasury Shares- As discussed in Note 15 to the Company's consolidated financial statements, "Treasury Shares," the Company's Board of Directors has authorized the periodic repurchase of the Company's Common Shares. From time to time, as favorable market conditions exist, the Company engages in open market transactions to repurchase its Common Shares. During fiscal 2004, the Company purchased 761,200 of its Common Shares at an average purchase price of \$21.82 per share as compared to 900,000 of its Common Shares at an average purchase price of \$17.86 per share during fiscal 2003.
- Stock option and other equity transactions- Cash flows from stock option and other equity transactions are primarily derived from the issuance of the Company's Common Shares under various employee stock compensation programs. During fiscal 2004 and fiscal 2003, cash proceeds from the issuance of Common Shares under these programs totaled \$11.8 million and \$11.0 million, respectively.

Cash Requirements

The Company currently intends to fund short and long-term capital requirements, as well as liquidity needs, with existing cash and cash equivalent balances as well as cash generated by operations. The Company believes that such cash and cash equivalents will be sufficient to meet working capital needs, capital requirements, and commitments for at least the next twelve months. However, the Company's capital requirements will depend on many factors, including the Company's rate of sales growth, market acceptance of the Company's products and services, costs of securing access to adequate manufacturing capacities, the timing and extent of research and development projects, and changes in operating expenses, all of which are subject to uncertainty. To the extent that the Company's existing cash, cash equivalents, and cash generated by operations are insufficient to fund the Company's future activities, the Company may need to draw on existing credit facilities or raise additional funds through public or private debt or equity financing. In addition, the Company may enter into acquisitions or other strategic

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arrangements in the future, which could also require additional debt or equity financing. Additional funds may not be available on favorable terms to the Company, or at all.

Sources of Credit

The following table summarizes the Company's sources of credit as of March 31, 2004:

<i>(dollars in thousands)</i>	<u>Maximum Available</u>	<u>Reductions in Available Credit Facility for Other Financial Instruments</u>	<u>March 31, 2004 Outstanding</u>	<u>March 31, 2004 Available</u>
Private Placement	\$ 100,000	\$ —	\$ 100,000	\$ —
Credit Facility(1)	275,000	26,071	—	248,929
Other Debt	14,192	—	13,139	1,053
Total Credit Sources	\$ 389,192	\$ 26,071	\$ 113,139	\$ 249,982

(1) Credit Facility availability is reduced by letters of credit issued under a sub-limit within the Credit Facility.

As of March 31, 2004, the Company's sources of funding from credit were as follows:

- In December 2003, the Company issued \$100 million of notes in a private placement to certain institutional investors in an offering exempt from the registration requirements of the Securities and Exchange Act of 1933. The proceeds of this offering were used to pay off the existing balance in the prior \$325 million credit facility with the remaining balance invested in short-term marketable securities. The outstanding notes have varying maturity dates through the next twelve years and accrue interest at varying interest rates ranging from 4.20% to 5.38%.
- The Company currently has \$248.9 million of funding available from a \$275 million revolving credit facility. The revolving credit facility matures on March 29, 2009 and provides a multi-currency borrowing option. At the Company's option, borrowings under the five-year credit facility bear interest at a rate equal to (1) LIBOR, or (2) the greater of the Prime rate established by KeyBank National Association, Cleveland, Ohio, and the Federal Funds effective rate plus 0.50%; plus, in each case, applicable margins based upon the Company's leverage ratio.
- At March 31, 2004, other debt consisted of borrowings under Hamo bank facilities which totaled approximately \$6.0 million, industrial development revenue bonds which totaled approximately \$3.6 million, capital lease obligations which totaled approximately \$2.4 million, and other miscellaneous obligations which totaled approximately \$1.1 million.

Additional information regarding the Company's debt structure and a stratification of payment obligations are further discussed in Note 6 to the Company's consolidated financial statements and in the subsection of "Liquidity and Capital Resources" titled "Contractual and Commercial Commitments."

Capital Expenditures

A component of the Company's long-term strategy is its capital expenditure program. This program includes, among other things, investments in new and existing facilities, business expansion projects, and information technology enhancements. During 2004, the Company's capital expenditures amounted to \$67.6 million, resulting in free cash flow from operations of \$55.7 million. Capital expenditures are funded through cash provided by operating activities, as well as available cash and cash equivalents. At March 31, 2004, the Company anticipates that future capital expenditures will be in line with historical trends. The

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Company's current expectations about future capital expenditures are inherently uncertain as future events can occur which could cause anticipated capital expenditure levels to change.

Contractual and Commercial Commitments

As of March 31, 2004 and 2003, the Company was contingently liable in the amount of \$48.6 million and \$53.8 million, respectively, under standby letters of credit and surety bonds. Approximately \$10.0 million and \$11.7 million, respectively, of the totals at March 31, 2004 and 2003 relate to letters of credit required as security under the Company's self-insured risk retention policies. The remaining balances in each year relate to performance bonds on long-term contracts and surety bonds.

The Company has no material commitments for capital expenditures as of March 31, 2004. At March 31, 2004, the Company had commitments under non-cancelable operating leases aggregating \$61.6 million.

The following tables reflect certain contractual obligations and commercial commitments of the Company as of March 31, 2004. Commercial commitments include standby letters of credit and other potential cash outflows resulting from a contingent event that requires performance by the Company.

Contractual Obligations

	Payments due by March 31,					
	2005	2006	2007	2008	2009 and thereafter	Total
<i>(dollars in thousands)</i>						
Long-term debt	\$ 2,762	\$ 5,418	\$ 1,076	\$ 700	\$ 100,800	\$ 110,756
Capital lease obligations	1,287	598	498	—	—	2,383
Operating Leases	15,003	12,426	9,604	7,304	17,215	61,552
Purchase obligations	14,074	10,800	11,003	11,333	—	47,210
Total Contractual Obligations	\$33,126	\$29,242	\$22,181	\$19,337	\$118,015	\$221,901

For the purposes of the table above, the disclosed long-term debt contractual obligations include only the principal maturities as required by SFAS No. 47, "Disclosure of Long-Term Obligations." Information regarding the interest component of the Company's long-term debt is included in the subsection of Management's Discussion and Analysis of Financial Condition and Results of Operations titled, "Liquidity and Capital Resources," and in Note 6 to the Company's consolidated financial statements, "Long-Term Debt."

For the purposes of the table above, the disclosed contractual obligations exclude benefit payments to plan participants from the Company's defined benefit plans, other postretirement benefit plan, and defined contribution plan. The table also excludes Company contributions to funded defined benefit plans and the defined contribution plan. Additional information regarding the Company's defined benefit plans, defined contribution plan, and other postretirement benefit plan is included in Note 9 to the Company's consolidated financial statements, "Benefit Plans."

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In the table above, purchase obligations pertain to minimum purchase commitments with suppliers for the purchase of cobalt to be used in the Company's Isomedix Services segment.

Commercial Commitments

<i>(in thousands)</i>	Amount of Commitment Expiring March 31,				Totals
	2005	2006	2007	2008 & Beyond	
Performance and surety bonds	\$ 30,429	\$ 5,306	\$ 1,862	\$ 1,038	\$ 38,635
Letters of credit as security for self-insured risk retention policies	10,001	—	—	—	10,001
Total Commercial Commitments	\$ 40,430	\$ 5,306	\$ 1,862	\$ 1,038	\$ 48,636

Restructuring Reserves

Fiscal 2001 Charge

The Company concluded its 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 \$41.5 million (\$28.2 million 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. Of the \$41.5 million charge, \$21.5 million was charged to cost of products sold and \$20.0 million was charged to selling, general, and administrative expenses in the consolidated statement of income.

The charge to cost of revenues included \$10.9 million for inventory write-downs and asset disposals relating to the restructuring of the Company's production, distribution, service, and sales activities. The charge to cost of products sold also included \$10.6 million for the consolidation of manufacturing operations. The Company's production operations in Medina, Ohio were consolidated into the Company's Montgomery, Alabama facility in August 2001. The Company's two St. Louis, Missouri manufacturing facilities were consolidated into one facility in March 2002. The consolidation costs primarily included severance and property abandonment costs.

The charge to selling, general, and administrative expenses included \$10.2 million to write-off goodwill related to purchased product lines that the Company discontinued. The remaining \$9.8 million was composed of severance and asset write-offs related to portions of the sales, service, and distribution organizations.

Reductions to the restructuring reserves during fiscal 2004 related to employee severance payments of \$0.9 million. Reductions to the restructuring reserves during fiscal 2003 related to employee severance payments of \$1.5 million. During fiscal 2003, the Company also paid \$0.6 million in settlement of pension liabilities for terminated employees. In addition, further reductions of \$1.1 million were made to the restructuring reserves in fiscal 2003 as a result of the Company receiving a favorable ruling regarding certain salary continuation and severance benefits under a collective bargaining agreement. The \$1.1 million

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reduction in the restructuring reserve was recorded as a reduction of costs of revenues on the accompanying consolidated statements of income for fiscal 2003. Reserves related to the fiscal 2001 restructuring of \$0.3 million and \$1.2 million remained as of March 31, 2004 and 2003, respectively, and related primarily to severance obligations. These remaining severance payments at March 31, 2004, which relate to 4 former employees, will continue until December 2004.

Fiscal 2000 Charge

The Company performed a review of certain manufacturing and support functions during the fourth quarter of fiscal 2000. The review of manufacturing operations included an outside consultant's study and evaluation of manufacturing practices at several manufacturing plants. As a result of the review and study performed and the related plan to initiate improvements in these and other functions, a charge of \$39.7 million (\$24.6 million net of tax, or \$0.36 per diluted share) was recorded in the fourth quarter of fiscal 2000. The Company has completed all aspects of the operational changes related to the fiscal 2000 charge.

Reductions to the restructuring reserves during fiscal 2004 related to employee severance payments of \$0.02 million. Reductions to the restructuring reserve during fiscal 2003 amounted to \$0.4 million, related primarily to employee severance payments and lease payments. At March 31, 2004, no amounts remained to be paid out from the restructuring charge of 2000. At March 31, 2003, a restructuring reserve of \$0.02 million remained, all of which was paid during the first quarter of fiscal 2004.

Critical Accounting Policies, Estimates, and Assumptions

The Company believes the following discussion addresses the Company's most critical accounting policies, which are those that are most important to the portrayal of the Company's financial condition and results of operations and require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Accounting policies, in addition to the critical accounting policies referenced below, are presented in Note 1 to the Company's consolidated financial statements, "Accounting Policies."

Estimates and Assumptions

In preparing the consolidated financial statements, the Company uses certain estimates and assumptions that may affect reported amounts and disclosures. Estimates and assumptions are used, among other places, when accounting for certain revenue (e.g. contract accounting), depreciation, amortization, employee benefits, self-insured liabilities, defined benefit plans, other postretirement benefit plans, contingencies, and asset and liability valuations (e.g. impairment analysis of intangibles and goodwill). Management believes that the estimates and assumptions made in preparing the consolidated financial statements are reasonable, but are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate and unanticipated events may occur. The Company is subject to risks and uncertainties that may cause actual results to differ from estimated results.

Revenue Recognition

The Company's net revenues include revenues earned on product sales and related after-sales service contracts and long-term construction contracts. The majority of the Company's revenues are for standard products and services with customer acceptance occurring upon delivery of the product or performance of the service. The Company recognizes the revenue for these contracts when the risks and rewards of ownership have substantially transferred to the customer; for example, recognizing product revenue upon shipment and title transfer to the customer, and for after-sales and service contracts, upon the completion of work. On occasion, sales agreements will contain milestones, or the Company will recognize revenue based on proportional performance, in the case of long-term construction-type contracts that are accounted for under the percentage-of-completion method of accounting. For these agreements, and

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depending on the specifics, the Company may recognize revenue based upon the completion of a substantive milestone, or in proportion to costs incurred in the construction of the capital product. Revenues related to long-term service contracts are recognized on a straight-line basis over the life of the related service contract. Advance billings for service contract work are recorded as deferred revenue and amortized over the life of the service contract. For customer arrangements containing multiple deliverables of products, post-contract support, or other services, the Company allocates revenues to the elements of the arrangement based upon their relative fair value and recognizes revenues for the respective elements when all the criteria for revenue recognition have been satisfied. The Company records amounts billed to customers for shipping and handling as revenue. All outbound shipping and handling expenses are included in cost of products sold.

Accounts Receivable

A considerable amount of judgment is required when the Company assesses the ultimate realization of accounts receivable, including assessing the probability of collection and the credit-worthiness of each customer. The Company recognizes an allowance for uncollectible accounts receivable based upon the number of days the accounts are past due, an analysis of the specific facts related to each customer such as bankruptcy or liquidity issues, and the current business environment. If the financial condition of the Company's customers were to worsen, additional provisions may be required. Historically, actual losses for uncollectible accounts receivable have generally been within management's estimates.

Allowance for Sales Returns

The Company maintains an allowance for sales returns and allowances on product sales. Management estimates the related allowance for sales returns and allowances based upon known returns granted and estimated returns of both capital equipment and consumables. The estimated returns of capital equipment are based upon recent historical experience and include estimates for the recoverability of the inventory value of the returned goods. The Company estimates that returned consumables do not carry any value due to the limited shelf life of such products.

Inventories

Management continually reviews inventories for excess and obsolete goods based upon a combination of historical and forecasted usage. Additionally, discrete provisions are made when facts and circumstances indicate that particular inventories will not be utilized. If future market conditions are different than those estimated, changes to inventory valuation reserves may be required and would be reflected in the period the revision is made.

Inventories are stated at the lower of cost or market. The Company uses the last-in, first-out (LIFO) and first-in, first-out (FIFO) cost methods. Inventories utilizing LIFO represent approximately 62.7% and 74.3% of total inventories at March 31, 2004 and 2003, respectively. Inventory costs include material, labor, and overhead. If the FIFO method of inventory costing had been used exclusively, inventories would have been \$12.2 million and \$10.0 million higher than those reported at March 31, 2004 and 2003, respectively.

Long-Lived Assets

The Company evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of any long-lived asset may warrant revision. Reductions of the remaining useful life of any long-lived asset could result in increased depreciation expense in future periods. The Company routinely reviews long-lived assets for recoverability. If factors indicate that the long-lived assets should be evaluated for possible impairment, the Company uses an estimate of the related asset's net undiscounted cash flows from operations over the remaining life to determine recoverability; the

measurement of the impairment would be based on the amount by which the carrying value of the asset exceeds its fair value.

Intangible Assets and Goodwill

Intangible assets are generally recorded when the Company acquires other companies. The cost of an acquisition is allocated to the assets and liabilities acquired, including identifiable intangible assets, based on their respective fair values, with the remaining amounts being classified as goodwill. Generally, the cost of the Company's intangible assets is amortized over time. Goodwill is not amortized, but is annually assessed for impairment. The allocation of the acquisition cost to intangible assets and goodwill therefore has a significant impact on future operating results. The allocation process requires the extensive use of estimates and assumptions.

When impairment indicators are identified with respect to previously recorded intangible assets, the values of the assets are determined using discounted future cash flow techniques. Significant management judgment is required in forecasting of future operating results which are used in the preparation of the projected discounted cash flows. The Company also periodically reviews the estimated remaining useful lives of intangible assets. Any reductions in the Company's estimate of remaining useful life could cause increased amortization expense in future periods.

On an annual basis, the Company tests recorded goodwill for impairment in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets." To test for goodwill impairment, the Company is required to estimate the fair market value of each of its operating segments. The Company estimates future cash flows and allocations of assets using considerable judgments regarding expected growth rates and applicable discount rates. Different assumptions used by management could result in significantly different estimates of the fair value of the reporting units, which could result in the impairment of goodwill. The Company performed its annual goodwill impairment evaluation during the third quarter. This analysis resulted in no impairment of the recorded goodwill amounts.

Deferred Tax Assets

The Company has deferred tax assets, which are subject to assessments for recoverability. Realization of the Company's deferred tax assets is dependent upon the achievement of projected future taxable income and tax planning strategies. While management believes that it is more likely than not that the net assets will be realized, there can be no assurance that the Company will meet management's expectations for future taxable income and tax planning strategies. The Company evaluates the realizability of deferred tax assets on an annual basis and assesses the need for valuation allowances.

Self-Insurance Liabilities

The Company records a liability for self-insured risk retention for general and product liability, workers compensation, and automobile liability. The Company maintains a captive insurance company, Global Risk Insurance Company ("GRIC"), to fund such losses. The Company employs an outside actuary that utilizes GRIC's historical loss experience and actuarial judgment to determine the estimated liability. Such liability includes estimated provisions for both loss reserves and incurred but not reported claims. Annually, the Company reviews the assumptions and the valuations provided by independent third party actuaries to determine the adequacy of self-insurance claims. GRIC funds the Company's losses up to the following limits per occurrence: general and product liability – \$0.5 million, workers' compensation - \$0.5 million, and automobile – \$0.5 million. The Company pays a monthly premium to GRIC. Losses greater than these limits are covered by third party insurance policies, subject to the terms and conditions of those policies. The Company's accrual for the self-insurance risk retention as of March 31, 2004 and 2003 was \$14.1 million and \$11.1 million, respectively.

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The Company is also self-insured for employee medical claims. The Company estimates a liability for incurred but not reported claims based upon recent claims experience and an analysis of the average period of time between the occurrence of a claim and the time it is reported to and paid by the Company. The Company's accrual for medical claims as of March 31, 2004 and 2003 was \$5.5 million and \$4.4 million, respectively.

The Company's self-insured liabilities contain uncertainties because management and the third party actuaries must make assumptions and apply judgments to estimate the ultimate cost to settle reported claims and claims incurred but not reported as of the balance sheet date. If actual results are not consistent with assumptions and judgments, the Company may be exposed to additional costs in subsequent periods.

Warranties

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 country where the Company conducts business. The Company provides for the estimated cost of product warranties at the time revenue is recognized. While the Company engages in extensive quality programs and processes, including actively monitoring and evaluating the quality of suppliers, warranty experience could differ from management's estimates. If actual product failure rates, material usage, or service costs differ from management's estimates, revisions to the estimated warranty liability will be required. As of March 31, 2004 and 2003, the Company had accrued \$5.3 million and \$4.9 million, respectively, for warranty exposures.

Contingencies

The Company is involved in various patent, product liability, consumer, commercial, environmental, and tax proceedings and claims, government investigations, and other legal proceedings that arise from time to time in the ordinary course of business. In accordance with SFAS No. 5, "Accounting for Contingencies," the Company records accruals for such contingencies to the extent that the Company concludes that their occurrence is both probable and estimable. The Company considers many factors in making these assessments, including the professional judgment of experienced members of management and the Company's legal counsel. The Company has made estimates as to the likelihood of unfavorable outcomes and the amounts of such potential losses. Litigation is inherently unpredictable and actual results could differ from the Company's estimates. The Company records anticipated recoveries under applicable insurance contracts when assured of recovery.

The Company also provides for tax reserves to the extent that management of the Company believes that it is probable that a taxing authority will take a sustainable position on a matter contrary to the position taken by the Company when filing required income tax returns. The Internal Revenue Service ("IRS") routinely conducts audits of the Company's federal income tax returns. As of March 31, 2004, the IRS was in the process of auditing federal income tax returns for the years 1999-2001, federal income tax returns for the years 1997-1998 were in appeals, and federal income taxes returns for the years 2002 through present were open for review. To the extent that the Company was to prevail in matters for which accruals have been established or be required to pay amounts in excess of established reserves, the Company's effective tax rate in a given financial statement period may be materially impacted.

Benefit Plans

The Company provides defined benefit pension plans for certain manufacturing and plant administrative personnel throughout the world as determined by collective bargaining agreements or employee benefit standards set at the time of acquisition of certain businesses. As of March 31, 2004, the

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Company sponsored defined benefit plans for eligible participants in the U.S., Switzerland, and Germany. In addition, at March 31, 2004, the Company sponsored an unfunded postretirement medical benefit plan for a group of U.S. employees comprised substantially of the same employees who receive pension benefits under the U.S. defined benefit plans.

The calculation of periodic benefit cost and the projected benefit obligation requires the use of a number of assumptions. Changes in these assumptions can result in different expense and liability amounts, and future actual experience may differ significantly from current expectations. The Company believes that the most critical assumptions used to determine the current year benefit cost and the projected liability at the balance sheet date are the long-term rate of return on plan assets, the discount rate used to determine the present value of the projected benefit obligation, and the weighted average rate of increase of future compensation levels. A summary of significant assumptions used to determine the March 31, 2004 benefit obligation and the fiscal 2004 periodic benefit cost is as follows:

Funding Status	Defined Benefit Pension Plans			Other Post-Retirement Plan
	U.S.	Switzerland	Germany	
	Funded	Funded	Unfunded	Unfunded
Assumptions used to determine March 31, 2004 benefit obligation:				
Discount rate	6.25%	3.75%	5.25%	6.25%
Expected return on plan assets	8.00%	5.00%	NA	NA
Rate of compensation increase	NA	2.00%	3.00%	NA
Assumptions used to determine fiscal 2004 net periodic benefit cost:				
Discount rate	6.50%	3.75%	5.50%	6.50%
Expected return on plan assets	8.00%	5.00%	NA	NA
Rate of compensation increase	NA	2.00%	3.00%	NA

The Company develops its long-term rate of return assumption by evaluating input from third party professional advisors taking into consideration the asset allocation of the portfolio and long-term asset class return expectations. Generally, net periodic benefit cost and projected benefit obligation both increase as the expected rate of return on plan assets decreases. Holding all other assumptions constant, lowering the long-term expected rate of return on plan assets for the U.S. and Switzerland defined benefit pension plans by 0.50% would have increased the fiscal 2004 benefit cost by \$0.2 million and would not have had a material impact to the projected benefit obligation at March 31, 2004.

The Company develops its discount rate assumptions by evaluating input from third party professional advisors, taking into consideration the current yield earned on country specific investment-grade long-term bonds which provide for similar cash flow streams as the Company's projected benefit obligation. Generally, the benefit obligation and the benefit cost both increase as the discount rate is reduced. Holding all other assumptions constant, lowering the discount rate for the U.S. and Switzerland defined benefit pension plans and for the other postretirement benefit plan by 0.50% would have increased the fiscal 2004 benefit cost by \$0.6 million and would have increased the projected benefit obligation by \$4.7 million at March 31, 2004. Increasing the discount rate by 0.50% would not have a material effect on the Germany defined benefit pension plan's fiscal 2004 benefit costs or its March 31, 2004 projected benefit obligation.

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Generally, the benefit obligation and the benefit cost both increase as the weighted average rate of increase of future compensation levels is increased. Holding all other assumptions constant, increasing the future compensation levels for the Switzerland and Germany defined benefit pension plans by 0.50% would not have had a material impact to the fiscal 2004 benefit cost or the projected benefit obligation at March 31, 2004.

The Company has made actuarial assumptions regarding healthcare costs in computing its other postretirement benefit obligation. The assumed rates of increase generally decline ratably over a five year period from the assumed current year healthcare cost trend rate to the assumed long-term healthcare cost trend rates. A one percentage point change in the assumed healthcare cost trend rate (including medical, prescription drug and long-term rates) would have had the following effect at March 31, 2004:

	One-Percentage Point	
	Increase	Decrease
(dollars in thousands)		
Effect on total service and interest cost components	\$ 724	\$ (585)
Effect on postretirement benefit obligation	8,474	(6,997)

Stock-Based Compensation

The Company has granted nonqualified stock options to Directors and 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 10 years after the date of grant, or earlier if an option holder ceases to be employed by the Company. Certain option agreements have provisions that provide for an adjustment to the normal vesting schedule, whereby, options vest on a prorated basis as defined by specific option agreements in the event of employment termination. The Company accounts for stock-based compensation under the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," as permitted by SFAS No. 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.

As required by the above-referenced accounting literature, the Company has presented proforma financial information in Note 1 to the Company's consolidated financial statements, "Accounting Policies." The Company has used a Black-Scholes option pricing model to estimate fair value at the grant date in order to illustrate the impact to net income and diluted earnings per share for the years ended March 31, 2004, 2003 and 2002, had compensation cost been determined based upon the value at grant date consistent with the fair value method.

The Black-Scholes option pricing model does not consider the non-traded nature of employee options or the restrictions on trading, lack of transferability, or potential forfeiture of the options prior to expiration. If the model permitted consideration of the unique characteristics of employee stock options, the resulting estimate of the fair value of the stock options could be different.

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Recently Issued Accounting Standards

Recently issued accounting standards that are relevant to the Company are presented in Note 1 to the Company's consolidated financial statements, "Accounting Policies."

Inflation

The overall effects of inflation on the Company's business during the periods discussed have not been significant. The Company monitors the prices it charges for its products and services on an ongoing basis and believes that it will be able to adjust those prices to take into account future changes in the rate of inflation.

Forward-Looking Statements

This discussion may contain statements and data 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 or earlier if indicated by the context, 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. 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 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

In the ordinary course of business, the Company is subject to interest rate and foreign currency risks. The risks primarily relate to changes in interest rates on the Company's short-term and long-term debt instruments and the sale of the Company's products to international customers through foreign subsidiaries.

Interest Rate Risk

The Company is exposed to market risk through various debt instruments, including fixed rate and floating rate debt instruments. As of March 31, 2004 the Company had \$100 million in fixed rate private placement notes outstanding, nothing outstanding under its revolving credit facility, and \$13.1 million outstanding under other borrowing agreements. Based on March 31, 2004 floating rate debt levels, a 1.0%

change in interest rates would impact interest expense by approximately \$0.1 million annually. The Company monitors its interest rate risk, but does not engage in any hedging activities using derivative financial instruments.

Foreign Currency Risk

The financial results of the Company's foreign operations are measured in their functional currencies. Assets and liabilities are translated to U.S. dollars at the rates of exchange at the end of the fiscal year and revenues and expenses are translated at average rates of exchange during the fiscal year. The resulting translation adjustments are recorded as a component of comprehensive income or loss. Since the Company operates internationally and approximately 22.5% of the Company's fiscal 2004 revenues were generated outside of the United States, it is exposed to foreign currency fluctuations. Historically, the Company has not experienced any significant foreign currency gains or losses involving U.S. dollars or other currencies. This is primarily due to the natural hedges of revenues and expenses in the functional currencies of the countries in which the Company's operations are located. Movements in foreign currency exchange rates affect the U.S. dollar value of sales made and costs incurred in foreign currencies. Changing currency exchange rates also affect the Company's competitive position, as exchange rate changes may affect profitability and business and/or pricing strategies of non-U.S. based competitors. Specifically, the exposure includes intercompany loans and third party sales or payments. The Company does not consider the market risk associated with its international operations to be material. The Company does not currently use derivative financial instruments for hedging or speculative purposes.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF MANAGEMENT

Board of Directors and Shareholders
STERIS Corporation

The management of STERIS Corporation (the “Company”) is responsible for the preparation, integrity, and objectivity of the consolidated financial statements and the accuracy and consistency of all other financial information included in this report. Management believes that the consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and that any amounts included herein which are based on estimates of the expected effects of events and transactions have been made with sound judgment and approved by qualified personnel.

The Company maintains internal controls to provide reasonable assurance that assets are safeguarded against unauthorized acquisition, use, or disposition and that transactions and events are recorded properly in the Company’s books and records. The internal controls are regularly reviewed, evaluated, and revised as necessary by management. The design, review, and revision of the Company’s internal controls involve, among other things, management judgments with respect to the relative cost and expected benefits of specific control measures.

The independent accounting firm of Ernst & Young LLP has audited the consolidated financial statements included in this report. Management believes their audits were conducted in accordance with auditing standards generally accepted in the United States and included such study and evaluation of the Company’s internal controls as the auditors considered necessary to determine the extent of tests and audit procedures required for expressing an opinion on the Company’s consolidated financial statements. Management has made available to the independent auditors all of the Company’s financial records and related data as well as minutes of shareholders’ and Directors’ meetings. Furthermore, management believes that all representations made to the independent auditors during their audits were valid and appropriate.

The Board of Directors pursues its oversight responsibility for the financial statements through its Audit and Financial Policy Committee, composed of Directors who are not employees of the Company. The Audit and Financial Policy Committee meets regularly with management, the Company’s internal auditors, and the independent auditors in connection with its review of matters relating to the Company’s financial statements, internal audit program, internal controls, and the services of the independent auditors. The Audit and Financial Policy Committee also meets with the internal auditors as well as the independent auditors, without management present, to discuss appropriate matters. The independent auditors have full and free access to the Audit and Financial Policy Committee and its individual members at any time.

/s/ LES C. VINNEY

Les C. Vinney
President and Chief Executive Officer
(Principal Executive Officer), Director

/s/ LAURIE BRLAS

Laurie Brlas
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
STERIS Corporation

We have audited the accompanying consolidated balance sheets of STERIS Corporation and subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2004. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of STERIS Corporation and subsidiaries at March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2004, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, in 2003 the Company changed its method of accounting for goodwill in accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

/s/ ERNST & YOUNG LLP

Cleveland, Ohio
June 4, 2004

STERIS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 31,	
	2004	2003
Assets		
Current assets:		
Cash and cash equivalents	\$ 80,408	\$ 25,941
Accounts receivable (net of allowances of \$8,623 and \$8,637, respectively)	255,437	211,687
Inventories	98,249	90,135
Current portion of deferred income taxes	18,246	14,904
Prepaid expenses and other current assets	10,338	11,765
Total current assets	462,678	354,432
Property, plant and equipment, net	374,102	345,621
Goodwill and intangibles, net	230,993	192,416
Other assets	2,037	2,523
Total assets	\$ 1,069,810	\$ 894,992
Liabilities and shareholders' equity		
Current liabilities:		
Current portion of long-term indebtedness	\$ 4,049	\$ 1,959
Accounts payable	67,988	72,969
Accrued income taxes	2,277	15,098
Accrued payroll and other related liabilities	41,972	38,591
Accrued expenses and other	74,142	62,434
Total current liabilities	190,428	191,051
Long-term indebtedness	109,090	59,704
Deferred income taxes	29,568	18,256
Other liabilities	60,025	56,451
Total liabilities	389,111	325,462
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 69,946 and 69,741, respectively	224,999	224,355
Retained earnings	451,546	357,303
Accumulated other comprehensive income (loss):		
Minimum pension liability	(4,582)	(7,281)
Cumulative foreign currency translation adjustment	8,736	(4,847)
Total shareholders' equity	680,699	569,530
Total liabilities and shareholders' equity	\$ 1,069,810	\$ 894,992

See notes to the consolidated financial statements.

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

	Years Ended March 31,		
	2004	2003	2002
Net revenues			
Product	\$ 754,521	\$ 687,024	\$ 609,410
Service	332,491	285,063	257,287
Total net revenues	1,087,012	972,087	866,697
Cost of revenues			
Product	439,915	392,964	358,776
Service	189,198	170,302	152,720
Total cost of revenues	629,113	563,266	511,496
Gross Profit	457,899	408,821	355,201
Operating Expenses			
Selling, general, and administrative	289,089	257,527	252,882
Research and development	28,454	25,525	21,706
	317,543	283,052	274,588
Income from operations	140,356	125,769	80,613
Interest expense, net	2,272	1,651	7,276
Income before income taxes	138,084	124,118	73,337
Income taxes	43,841	44,682	27,135
Net Income	\$ 94,243	\$ 79,436	\$ 46,202
Net income per share – basic	\$ 1.36	\$ 1.14	\$ 0.67
Net income per share – diluted	\$ 1.33	\$ 1.12	\$ 0.65

See notes to the consolidated financial statements.

STERIS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended March 31,		
	2004	2003	2002
Operating activities			
Net income	\$ 94,243	\$ 79,436	\$ 46,202
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	48,683	46,515	46,884
Deferred income taxes	7,970	3,982	12,866
Other items	14,173	12,932	6,098
Changes in operating assets and liabilities:			
Accounts receivable	(35,151)	(14,115)	4,674
Inventories	12,488	(12,213)	4,317
Other current assets	3,564	(2,044)	(1,736)
Accounts payable, net	(15,566)	15,620	8,241
Accruals and other, net	(7,102)	3,178	14,477
Net cash provided by operating activities	123,302	133,291	142,023
Investing activities			
Purchases of property, plant and equipment	(67,560)	(58,592)	(65,678)
Investment in businesses, net of cash acquired	(37,599)	(140)	(5,097)
Purchase of business related assets	(2,900)	—	—
Proceeds from sales of assets	—	—	2,164
Net cash used in investing activities	(108,059)	(58,732)	(68,611)
Financing activities			
Proceeds from issuance of long-term obligations	100,000	—	—
Payments under credit facilities, net	(53,200)	(55,800)	(91,000)
Payments of long-term obligations	(3,999)	(2,300)	(1,173)
Purchase of treasury shares	(16,609)	(16,070)	—
Stock option and other equity transactions	13,187	11,344	6,736
Deferred financing fees and debt issuance costs	(1,342)	—	—
Net cash provided by (used in) financing activities	38,037	(62,826)	(85,437)
Effect of exchange rate changes on cash and cash equivalents	1,187	1,784	(261)
Increase (decrease) in cash and cash equivalents	54,467	13,517	(12,286)
Cash and cash equivalents at beginning of year	25,941	12,424	24,710
Cash and cash equivalents at end of year	\$ 80,408	\$ 25,941	\$ 12,424

See notes to the consolidated financial statements.

STERIS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands)

	Common Shares		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Number	Amount			
Balance at March 31, 2001	68,665	\$ 203,760	\$ 231,665	\$ (11,041)	\$ 424,384
Net income	—	—	46,202	—	46,202
Minimum pension liability	—	—	—	(1,038)	(1,038)
Foreign currency translation adjustment	—	—	—	(1,887)	(1,887)
Comprehensive income	—	—	—	—	43,277
Stock options exercised	786	6,450	—	—	6,450
Tax benefit of stock options exercised	—	3,380	—	—	3,380
Expiration of put held by former executive	—	9,000	—	—	9,000
Other equity transactions	15	654	—	—	654
Balance at March 31, 2002	69,466	223,244	277,867	(13,966)	487,145
Net income	—	—	79,436	—	79,436
Minimum pension liability	—	—	—	(6,243)	(6,243)
Foreign currency translation adjustment	—	—	—	8,081	8,081
Comprehensive income	—	—	—	—	81,274
Purchase of treasury shares	(900)	(16,070)	—	—	(16,070)
Stock options exercised	1,170	10,993	—	—	10,993
Tax benefit of stock options exercised	—	5,837	—	—	5,837
Other equity transactions	5	351	—	—	351
Balance at March 31, 2003	69,741	224,355	357,303	(12,128)	569,530
Net income	—	—	94,243	—	94,243
Minimum pension liability	—	—	—	2,699	2,699
Foreign currency translation adjustment	—	—	—	13,583	13,583
Comprehensive income	—	—	—	—	110,525
Purchase of treasury shares	(761)	(16,609)	—	—	(16,609)
Stock options exercised	961	11,759	—	—	11,759
Tax benefit of stock options exercised	—	4,066	—	—	4,066
Other equity transactions	5	1,428	—	—	1,428
Balance at March 31, 2004	69,946	\$ 224,999	\$ 451,546	\$ 4,154	\$ 680,699

See notes to the consolidated financial statements.

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

1. Accounting Policies

STERIS Corporation and its subsidiaries (the "Company" or "STERIS") 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.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Intercompany accounts and transactions have been eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions in certain circumstances that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Reclassifications

Certain reclassifications have been made to the Company's prior years' consolidated financial statements to conform to the current year classifications.

Cash Equivalents and Supplemental Cash Flow Information

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist primarily of interest-bearing savings accounts, commercial paper, and United States government securities.

Supplemental disclosure of cash flow information follows:

	Years Ended March 31,		
	2004	2003	2002
Cash paid during the year for:			
Interest	\$ 1,848	\$ 2,583	\$ 9,519
Income taxes	46,762	37,800	4,603
Cash received during the year for income tax refunds	1,445	787	6,279

Revenue Recognition

The Company's net revenues include revenues earned on product sales and related after-sales service contracts, and long-term construction contracts. The majority of the Company's revenues are for standard products and services with customer acceptance occurring upon delivery of the product or performance of the service. The Company recognizes the revenue for these contracts when the risks and rewards of ownership have substantially transferred to the customer, for example, recognizing product revenue upon shipment and title transfer to the customer, and for after-sales and service contracts, upon the

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share amounts)

completion of work. On occasion, sales agreements will contain milestones, or the Company will recognize revenue based on proportional performance, in the case of long-term construction-type contracts that are accounted for under the percentage-of-completion method of accounting. For these agreements, and depending on the specifics, the Company may recognize revenue based upon the completion of a substantive milestone, or in proportion to costs incurred in the construction of the capital product. Revenues related to long-term service contracts are recognized on a straight-line basis over the life of the related service contract. Advance billings for service contract work are recorded as deferred revenue and amortized over the life of the service contract. For customer arrangements containing multiple deliverables of products, post-contract support, or other services, the Company allocates revenues to the elements of the arrangement based upon their relative fair value and recognizes revenues for the respective elements when all the criteria for revenue recognition have been satisfied. The Company records amounts billed to customers for shipping and handling as revenue. All outbound shipping and handling expenses are included in cost of products sold.

Accounts Receivable

The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral on sales. The Company evaluates the collectibility of its accounts receivable based upon a combination of factors, including analysis of historical trends, aging of accounts receivable, write-off experience, and expectations about future performance. The Company maintains allowances for potential credit losses and historically such credit losses have been within the Company's expectations. The Company sells to customers who are in widely diverse geographic locations and markets with no single customer accounting for more than five percent of revenues during the year ended March 31, 2004.

Inventories

Inventories are stated at the lower of cost or market. The Company uses the last-in, first-out (LIFO) and first-in, first-out (FIFO) cost methods. Inventories utilizing LIFO represented approximately 62.7% and 74.3% of total inventories at March 31, 2004 and 2003, respectively. Inventory costs include material, labor, and overhead. If the FIFO method of inventory costing had been used exclusively, inventories would have been \$12,233 and \$10,018 higher than those reported at March 31, 2004 and 2003, respectively.

Property, Plant, and Equipment

Property, plant, and equipment are stated at historical cost, less accumulated depreciation. The Company provides for depreciation of the net carrying cost less anticipated salvage value over the estimated remaining useful lives of property, plant, and equipment principally by using the straight-line method. Depreciation of radioisotope is determined by use of the annual decay factor inherent in the material, which is similar to the sum-of-the-years-digits method. The estimated useful lives, in years, by asset type are as follows:

Asset Type	Useful Life
Land improvements	10
Buildings and leasehold improvements	7-40
Machinery and equipment	3-15
Information Systems	3-8
Radioisotope	20

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share amounts)

The carrying value of long-lived assets is periodically reviewed by the Company whenever events or changes in circumstances indicate that a potential impairment has occurred, in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"). For long-lived assets held for use, a potential impairment has occurred if projected future undiscounted cash flows are less than the carrying value of the assets. The estimate of cash flows includes management's assumptions of cash inflows and outflows directly resulting from the use of those assets in operations. When potential impairment has occurred, an impairment write-down is recorded if the carrying value of the long-lived asset exceeds its fair value. The Company believes its estimated cash flows are sufficient to support the carrying value of its long-lived assets.

Expenditures that increase the value or productive capacity of assets, including information systems, are capitalized. Repair and maintenance expenditures are expensed as incurred. The Company capitalizes interest costs incurred during construction of long-lived assets in accordance with SFAS No. 34, "Capitalization of Interest Cost." The Company capitalized \$820 and \$809 of interest costs during the years ended March 31, 2004 and 2003, respectively.

Business Acquisitions and Merger Related Costs

Business acquisitions are accounted for using the purchase method of accounting which requires that the assets and liabilities assumed be recorded at the date of acquisition at their respective fair values. The consolidated financial statements and results of operations reflect an acquired business after the completion of the acquisition and are not restated. The cost to acquire the business, including transaction costs, is allocated to the underlying net assets of the acquired business in proportion to their fair values. Any excess of the purchase price over the net assets acquired is recorded as goodwill.

In connection with an acquisition of a business, the operations of the acquired business may be reviewed and plans to restructure and integrate its operations may be implemented. Such restructuring charges associated with the acquired company's operations are recorded as additional goodwill as they are considered to be liabilities assumed in the acquisition. All subsequent restructuring charges, integration costs and any charges related to the company's existing businesses impacted by the acquisition are included in the company's results of operations.

Intangible Assets

Costs incurred to obtain product technology rights, including patents, have been capitalized and are amortized over their estimated useful lives using the straight-line method. The Company currently provides for the amortization of intangible assets over lives ranging from 5 to 17 years.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Other intangible assets represent purchased assets that also lack physical substance but can be distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset, or liability. On April 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets." Under the provisions of SFAS No. 142, goodwill and indefinite-lived intangible assets are no longer ratably amortized into income over an estimated life, but rather, are tested annually for impairment. Finite-lived intangible assets, as discussed in the preceding paragraph, continue to be amortized over varying periods. Note 3, "Goodwill and Intangible Assets," includes a summary of goodwill and other intangible assets.

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share amounts)

Self-Insurance Liabilities

The Company records a liability for self-insured risk retention for general and product liability, workers compensation, and automobile liabilities that is actuarially determined. The Company employs an outside actuary that utilizes the Company's historical loss experience and actuarial judgment to assist in determining the liability. Such liability includes estimated provisions for both loss reserves and incurred but not reported claims.

The Company is also self-insured for employee medical claims. The Company estimates a liability for incurred but not reported claims based upon recent claims experience and an analysis of the average period of time between the occurrence of a claim and the time it is reported to and paid by the Company.

Foreign Currency Translation

For most international operations, local currencies have been determined to be the functional currencies. Assets and liabilities are translated to their U.S. dollar equivalents at rates in effect at the balance sheet date and the related translation adjustments are recorded as a separate component of shareholders' equity. Statement of income accounts are translated at the average currency exchange rates prevailing during the period. These transaction adjustments are recorded in selling, general, and administrative expenses in the accompanying consolidated statements of income. Foreign currency gains and losses from changes in exchange rates have not been material to the consolidated statements of income.

Advertising Expenses

The costs of advertising are expensed as incurred in accordance with the requirements of AICPA Statement of Position 93-7, "Reporting for Advertising Costs" ("SOP No. 93-7"). The Company incurred \$17,051, \$15,756, and \$18,942, of advertising costs during the years ended March 31, 2004, 2003, and 2002, respectively.

Income Taxes

Income tax expense includes U.S. federal, state and local, and foreign income taxes and is based on reported income before income taxes. Deferred income taxes reflect the effect of temporary differences between assets and liabilities that are recognized for financial reporting purposes and the amounts that are recognized for income tax purposes. These deferred tax assets and liabilities are measured by applying currently enacted tax laws. Valuation allowances are recognized to reduce the deferred tax assets to an amount that is more likely than not to be realized. Income taxes are further discussed in Note 8, "Income Taxes."

Fair Value of Financial Instruments

The recorded value of the Company's financial instruments, which includes cash, cash equivalents, and long-term debt, approximates fair value. Financial instruments potentially subject the Company to concentration of credit risk. The Company invests its excess cash in high-quality securities placed with major banks and financial institutions and short-term U.S. government securities. The Company has established guidelines relative to diversification and maturities to maintain safety and liquidity.

Recently Issued Accounting Standards

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was signed into law. This Act expands Medicare benefits, primarily adding a prescription drug

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share amounts)

benefit for Medicare-eligible retirees beginning in 2006. The law provides a federal subsidy to companies that sponsor postretirement benefit plans that provide prescription drug coverage. In January 2004, the FASB issued SOP 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," which permitted deferring the recognition of the new Medicare provisions' impact due to lack of specific authoritative guidance on accounting for the federal subsidy. In March 2004, the FASB issued SOP 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," that provides guidance on the accounting for the effects of the Act for employers that sponsor postretirement health care plans that provide drug benefits. This SOP supercedes SOP 106-1. SOP 106-2 also requires those employers to provide certain disclosures regarding the effect of the federal subsidy provided by the Act. SOP 106-2 is generally effective for the first interim or annual period beginning after June 15, 2004. The Company elected to defer accounting for the effects of this new legislation. Accordingly, the accumulated postretirement benefit obligation at March 31, 2004 and the net postretirement benefit cost for the year ended March 31, 2004 do not reflect the effects of the Act on the Company's postretirement benefit plan. The Company has not yet determined the impact of SOP 106-2 on its consolidated financial position, results of operations, and cash flows.

In December 2003, the FASB revised SFAS No. 132, "Employers' Disclosures about Pension and Other Postretirement Benefits." SFAS 132 retains the disclosures required by the original SFAS 132 and requires additional disclosures about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension and postretirement plans. In addition, this Statement requires interim period disclosure of the components of net periodic benefit cost and contributions if significantly different from previously reported amounts. Note 9, "Benefit Plans," includes the additional pension and other postretirement benefit disclosures required by the Statement.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." The Statement establishes standards for classifying and measuring certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. SFAS No. 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 adoption of this Statement did not have an impact on the Company's consolidated financial position, results of operations, and cash flows.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"), which provides guidance on how to identify a variable interest entity ("VIE") and determine when the assets, liabilities, noncontrolling interests, and results of operations of a VIE are to be included in an entity's consolidated financial statements. A VIE exists when either the total equity investment at risk is not sufficient to permit the entity to finance its activities by itself, or the equity investors lack one of three characteristics associated with owning a controlling financial interest. Those characteristics include the direct or indirect ability to make decisions about an entity's activities through voting rights or similar rights, the obligations to absorb the expected losses of an entity if they occur, or the right to receive the expected residual returns of the entity if they occur.

FIN 46 requires that VIE's, 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 VIE 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

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share amounts)

interim or annual reporting period 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 that it is affiliated with but does not currently consolidate that will meet the definition of a VIE.

In December 2002, SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" 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 SFAS No. 123, "Accounting for Stock-Based Compensation," to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. As permitted by SFAS 123 and SFAS 148, the Company has continued to apply 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. Had the compensation cost for the stock options granted in fiscal 2004, 2003, and 2002 been determined based on the value at grant date consistent with the fair value method, the Company's net income and earnings per share would have been reduced as indicated below:

	Years Ended March 31,		
	2004	2003	2002
	(in thousands, except per share data)		
Net income:			
As reported	\$ 94,243	\$ 79,436	\$ 46,202
Less: Stock-based compensation expense, net of income taxes, assuming the fair value method	5,669	5,388	4,978
Pro forma	\$ 88,574	\$ 74,048	\$ 41,224
Earnings per share:			
Basic:			
As reported	\$ 1.36	\$ 1.14	\$ 0.67
Pro forma	1.27	1.06	0.60
Diluted:			
As reported	1.33	1.12	0.65
Pro forma	1.25	1.04	0.58

Note 14, "Stock-Based Compensation," includes additional information regarding the Company's application of the disclosure only provisions of SFAS 123 and SFAS 148.

In December 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires that certain guarantees be recorded at fair value and also that a guarantor make certain disclosures, even when the likelihood of making any payments under the guarantee is remote. The initial recognition and measurement provisions of FIN 45 are applicable only to guarantees issued or modified after December 31, 2002. The related disclosure requirements are effective for interim or annual periods ending after

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share amounts)

December 15, 2002 and are applicable to all guarantees issued by the guarantor subject to FIN 45's scope, including guarantees entered into prior to its issuance. The application of this Interpretation did not have an impact on the Company's consolidated financial position, results of operations, and cash flows.

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 will be applicable to agreements entered into in fiscal years beginning after June 15, 2003 with early adoption permitted. The Company early adopted EITF 00-21 during fiscal 2004 and the adoption this EITF did not have a material impact to the Company's consolidated financial position, results of operations, and cash flows.

In June 2002, SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," was issued. This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized at fair value when the liability is incurred. SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of this Statement did not impact the Company's consolidated financial position, results of operations, and cash flows.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 concludes that generally, gains and losses from debt extinguishments should not be classified as extraordinary items, but rather be included as operating expenses. For the year ended March 31, 2004, \$326 of losses from the extinguishment of debt were included as selling, general, and administrative expenses in the consolidated statements of income. There were no gains or losses from the extinguishment of debt for the years ended March 31, 2003 and 2002.

In October 2001, Statement of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" was issued. The Company adopted SFAS 144 on April 1, 2002 and the impact of the adoption on the Company's consolidated financial position, results of operations, and cash flows was not considered material.

In August 2001, SFAS 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 SFAS 143 on April 1, 2003 and the impact of the adoption on the Company's consolidated financial position, results of operations, and cash flows was not considered material.

In June 2001, SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets," were issued by the FASB. SFAS 141 eliminates the pooling-of-interests method for business combinations and requires the use of the purchase method and establishes criteria to be used in determining whether acquired intangible assets are to be separated from goodwill.

SFAS 142 changes the accounting for goodwill and indefinite-lived intangible assets from an amortization approach to a non-amortization approach, and requires periodic tests for impairment of these assets. SFAS 142 requires the discontinuance of amortization of goodwill and indefinite-lived intangible assets that had been recorded in connection with previous business combinations. The Company adopted

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share amounts)

SFAS 142 on April 1, 2002. Upon adoption, the Company conducted valuations of its reporting units for transition purposes and, based on these valuations, concluded that goodwill was not impaired. The Company has also conducted its annual valuations for impairment of these assets, and based on these valuations, concluded that goodwill is not impaired as of March 31, 2004 and 2003.

The following table reflects the reconciliation of reported net income and net income per share to the amounts adjusted for the exclusion of goodwill amortization:

	Years Ended March 31,		
	2004	2003	2002
Net income:			
Reported net income	\$ 94,243	\$ 79,436	\$ 46,202
Add back: Goodwill amortization, net of tax	—	—	5,227
Adjusted net income	<u>\$ 94,243</u>	<u>\$ 79,436</u>	<u>\$ 51,429</u>
Net income per share:			
Basic:			
Reported net income per share – basic	\$ 1.36	\$ 1.14	\$ 0.67
Add back: Goodwill amortization, net of tax	—	—	0.08
Adjusted net income per share – basic	<u>\$ 1.36</u>	<u>\$ 1.14</u>	<u>\$ 0.75</u>
Diluted:			
Reported net income per share – diluted	\$ 1.33	\$ 1.12	\$ 0.65
Add back: Goodwill amortization, net of tax	—	—	0.07
Adjusted net income per share – diluted	<u>\$ 1.33</u>	<u>\$ 1.12</u>	<u>\$ 0.72</u>

2. Business Acquisitions

On April 8, 2003, the Company announced that it had acquired Hamo Holding AG (“Hamo”), headquarter in Pieterlen, Switzerland, for approximately \$49,718, which consisted of cash paid and debt assumed. Hamo is a leading provider of washing/decontamination systems used in the healthcare, pharmaceutical, and research industries. The acquisition provides the Company a stronger European presence and allows the Company to offer a wider range of sterile processing solutions to customers worldwide.

The acquisition of Hamo has been accounted for as a purchase business combination. Under the purchase method of accounting, the assets acquired and the liabilities assumed from Hamo are recorded at the date of acquisition, at their respective fair values. The consolidated financial statements and reported results of operations of the Company issued after completion of the acquisition reflect these values.

The above purchase price has been preliminarily allocated based on an estimate of the fair value of assets acquired and the liabilities assumed. The final valuation of net assets is to be completed no later than one year from the acquisition date in accordance with accounting principles generally accepted in the

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share amounts)

United States. Through March 31, 2004, there have been no significant changes to the preliminary purchase price of \$49,718 as previously disclosed in the first quarter of fiscal 2004.

As a result of the aforementioned acquisition of Hamo, goodwill in the amount of \$32,275 was created. In accordance with the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets," the goodwill created as a result of this business acquisition will not be amortized ratably; rather, it will be reviewed for impairment on an annual basis.

In the first quarter of fiscal 2004, the Company acquired certain assets related to the sterilization container business from Sterion Incorporated ("Sterion") for \$2,900 in cash. The Sterion Sterilization Container System offers healthcare personnel a simple and reliable system for managing instrument sterile processing, storage, and aseptic transport. This transaction complements the Company's existing business. This transaction did not have a material impact on the Company's consolidated financial position, results of operations, and cash flows.

During the third quarter of fiscal 2002, the Company completed the acquisition, for cash, of American Table Manufacturing, Inc., a surgical table manufacturer. The acquisition was accounted for as a purchase business combination which resulted in the creation of goodwill that, in accordance with the requirements of SFAS No. 142, will not be amortized ratably; rather, it will be reviewed for impairment on an annual basis as per the provisions of SFAS No. 142. This transaction did not have a material impact on the Company's consolidated financial position, results of operations, and cash flows.

3. Goodwill and Intangible Assets

Goodwill and intangible assets consisted of the following at March 31:

	<u>2004</u>	<u>2003</u>
Goodwill:		
Healthcare segment	\$ 117,230	\$ 101,174
Life Sciences segment	46,799	30,032
STERIS Isomedix Services segment	51,924	51,924
Total Goodwill	<u>215,953</u>	<u>183,130</u>
Patents, trademarks and other intangible assets, net of accumulated amortization of \$15,462 and \$16,074, respectively	15,040	9,286
Total Goodwill and Intangible Assets	<u>\$ 230,993</u>	<u>\$ 192,416</u>

The increase in goodwill during fiscal 2004 was primarily related to goodwill created as a result of the acquisition of Hamo, on April 8, 2003, which amounted to \$32,275. The increase in other intangible assets during fiscal 2004 was primarily related to intangible assets of \$4,464 acquired from Hamo and \$2,589 acquired from the purchase of business assets from Sterion.

On April 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets." This Statement, among other things, eliminates the amortization of goodwill and other intangibles that have indefinite lives but requires annual tests for determining impairment of those assets. Note 1, "Accounting Policies," illustrates the impact of the non-amortization provisions of this Statement on the Company's

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share amounts)

operations for the year ended March 31, 2002, had the non-amortization provisions of this Statement been in effect for that fiscal year.

Total amortization expense for finite-lived intangible assets was \$1,627, \$1,249, and \$985 for the years ended March 31, 2004, 2003, and 2002, respectively. Based upon the current amount of intangible assets subject to amortization, the estimated amortization expense for each of the five succeeding fiscal years is estimated to be as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Estimated amortization expense	\$ 1,724	\$ 1,752	\$ 1,580	\$ 1,396	\$ 1,370

4. Inventories

Inventories consisted of the following:

	<u>March 31,</u>	
	<u>2004</u>	<u>2003</u>
Raw materials	\$ 27,916	\$ 26,774
Work in process	24,420	8,018
Finished goods	45,913	55,343
Total inventories	\$ 98,249	\$ 90,135

5. Property, Plant, and Equipment

Information related to the major categories of property, plant, and equipment is as follows:

	<u>March 31,</u>	
	<u>2004</u>	<u>2003</u>
Land and land improvements	\$ 23,123	\$ 21,359
Buildings and leasehold improvements	176,734	145,520
Machinery and equipment	212,415	206,991
Information Systems	75,892	68,029
Radioisotope	95,222	84,634
Construction in progress	38,364	28,169
Total property, plant, and equipment	621,750	554,702
Less: accumulated depreciation	(247,648)	(209,081)
Property, plant, and equipment, net	\$ 374,102	\$ 345,621

Depreciation expense was \$47,054, \$45,244, and \$40,665, for the years ended March 31, 2004, 2003, and 2002, respectively. Rental expense for operating leases was \$15,557, \$13,806, and \$13,734, for

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the years ended March 31, 2004, 2003, and 2002, respectively. Operating leases relate principally to warehouse and office space, service facilities, vehicles, equipment, and communication systems. Certain operating lease agreements grant varying renewal and purchase options to the Company.

Future minimum annual rentals payable under noncancelable operating leases at March 31, 2004 were as follows:

	Operating Leases
2005	\$ 15,003
2006	12,426
2007	9,604
2008	7,304
2009	4,759
Thereafter	12,456
Total minimum lease payments	\$ 61,552

6. Long-Term Debt

Long-term indebtedness was as follows:

	March 31,	
	2004	2003
Private Placement	\$ 100,000	\$ —
Credit facility	—	53,200
Other debt	13,139	8,463
Total	\$ 113,139	\$ 61,663
Less: current portion	4,049	1,959
Long-term portion	\$ 109,090	\$ 59,704

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 and Exchange of 1933. The proceeds of the December 2003 Private Placement were used to pay down the outstanding balance of the Company's existing Revolving Credit Facility ("Facility") with the remaining balance being invested in short-term marketable securities. 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%. Upon closing the December 2003 Private Placement, the Company's then existing unsecured \$325,000 Facility was reduced to \$275,000, as required by the Facility loan agreement. The December 2003 Private Placement contains financial covenants including limitations of debt and a minimum net worth requirement.

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In March 2004, STERIS amended and restated the existing \$275,000 Facility. The Facility matures on March 29, 2009 and provides a multi-currency borrowing option. The Facility may be used for general corporate purposes. At the Company's option, the borrowings under the Facility bear interest at a rate equal to (1) LIBOR or (2) the greater of the Prime rate established by KeyBank National Association, Cleveland, Ohio, or the Federal Funds effective rate plus 0.50%, plus, in each case, applicable margins based upon the Company's leverage ratio. The Facility also requires the payment of a facility fee ranging from 0.125% to 0.325% of the total Facility commitment amount. The interest rate and the Facility fee are determined based on the Company's leverage ratio. The Facility requires the maintenance of certain financial covenants, including a maximum leverage ratio and a minimum interest coverage ratio.

Other debt consisted mainly of borrowings under Hamo bank facilities which contain no covenant requirements. At March 31, 2004, outstanding borrowings under these facilities were \$5,980 with a weighted average interest rate of 3.87%. Other debt also includes industrial development revenue bonds which bear interest at a variable rate based on the bank/marketing agent's demand note index. These bond agreements contain various covenants including a maximum leverage ratio and a minimum interest coverage ratio. At March 31, 2004 and 2003, outstanding obligations under the industrial development revenue bonds were \$3,600 and \$4,300, respectively, with a weighted average interest rate of 1.25% and 1.55%, respectively. Other debt also includes capital lease obligations of approximately \$2,383 and other miscellaneous obligations totaling approximately \$1,176 at March 31, 2004.

At March 31, 2004, the Company was in compliance with all financial covenants associated with its credit facilities.

The combined annual aggregate amount of maturities is as follows:

2005	\$ 4,049
2006	6,016
2007	1,574
2008	700
2009 and thereafter	100,800
Total	\$ 113,139

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7. Accrued Expenses and Other

Accrued payroll and other related liabilities and accrued expenses and other liabilities consisted of the following:

	March 31,	
	2004	2003
Sales, property and other taxes	\$ 175	\$ 7,378
Employee compensation and related items	28,940	26,194
Self-insured risk retention	20,375	16,864
Deferred service contract revenue	12,342	11,149
Pension and postretirement benefit obligations—current portion	8,058	7,330
Restructuring reserves	959	1,466
Other	45,265	30,644
Total	\$ 116,114	\$ 101,025

8. Income Taxes

Income from continuing operations before income taxes was as follows:

	Years Ended March 31,		
	2004	2003	2002
United States operations	\$ 109,279	\$ 106,856	\$ 58,862
Non-United States operations	28,805	17,262	14,475
	\$ 138,084	\$ 124,118	\$ 73,337

The components of the provision for income taxes consisted of the following:

	Years Ended March 31,		
	2004	2003	2002
Current provision:			
United States federal	\$ 25,447	\$ 26,060	\$ 8,393
United States state and local	3,770	3,110	2,855
Non-United States	4,781	7,440	3,021
Total current provision	33,998	36,610	14,269
Deferred expense	9,843	8,072	12,866
Total provision for income taxes	\$ 43,841	\$ 44,682	\$ 27,135

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The total provision for income taxes can be reconciled to the tax computed at the United States federal statutory rate as follows:

	Years Ended March 31,		
	2004	2003	2002
Tax computed at the United States federal statutory tax rate	\$48,329	\$43,441	\$25,668
Increase (reduction) of income tax accruals	1,856	(1,101)	(366)
State and local taxes, net of federal income tax benefit	2,211	2,680	1,856
Goodwill	—	—	985
Foreign income tax credit	(5,304)	(1,418)	—
Difference in non-United States tax rates	(4,021)	1,896	(2,045)
All other, net	770	(816)	1,037
Total provision for income taxes	\$43,841	\$44,682	\$27,135

The significant components of the deferred tax assets and liabilities recorded in the accompanying consolidated balance sheets at March 31, 2004 and 2003 were as follows:

	March 31,	
	2004	2003
Net Deferred Tax Liabilities:		
Postretirement benefit accrual	\$ 18,982	\$ 16,503
Net operating loss carryforwards	7,825	11,204
Accrued expenses and other	22,336	21,167
Plant and equipment	(49,753)	(33,478)
Intangibles	(6,015)	(5,473)
Inventory and other	(2,669)	(2,071)
Valuation allowance	(2,028)	(11,204)
Total net deferred tax liabilities	\$ (11,322)	\$ (3,352)

For tax return purposes, at March 31, 2004, the Company had domestic net operating loss carryforwards of \$3,053 which expire in years 2009 through 2017. Additionally, the Company had foreign net operating loss carryforwards of \$16,833 of which \$5,884 expire in years 2007 through 2019, and \$10,949 that have an indefinite carryforward period. A valuation allowance has been applied to a portion of the net operating loss carryforwards as the Company anticipates that it may not receive future benefit for all of these carryforwards.

At March 31, 2004, cumulative undistributed earnings of international subsidiaries included in consolidated retained earnings amounted to \$72,591. These earnings are indefinitely reinvested in international operations. Accordingly, no provision has been made for deferred taxes related to the future repatriation of such earnings, nor is it practicable to determine the amount of this liability.

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9. Benefit Plans

The Company provides defined benefit pension plans for certain manufacturing and plant administrative personnel throughout the world as determined by collective bargaining agreements or employee benefit standards set at the time of acquisition of certain businesses. All United States pension plans are qualified, which means that the plans meet the requirements of certain sections of the Internal Revenue Code and generally, contributions to these qualified plans are tax deductible. Benefits are generally determined based on the employee's years of service and compensation. The Company's plans are funded in conformity with the funding requirements of applicable government regulations and local laws.

In addition to providing pension benefits to certain employees, the Company sponsors an unfunded postretirement medical benefit plan for a group of U.S. employees comprised substantially of the same employees who receive pension benefits under the U.S. defined benefit plans. Benefits under this plan include retiree life insurance, retiree medical insurance including prescription drug coverage, and Medicare supplement coverage. This plan has certain retiree contributions such as deductibles. Covered employees are generally eligible for these benefits when they have reached 55 years of age and 10 years of service.

Acquisitions

The Company acquired a defined benefit pension plan from Hamo as a result of the business acquisition on April 8, 2003. The fair value of the benefit obligation and plan assets acquired were \$8,169 and \$5,650, respectively.

Components of Net Periodic Benefit Costs

The annual combined cost of the United States qualified, International pension plans, and the postretirement plan follows:

	Pension Plans								
	U.S. Qualified			International			Other Postretirement Plan		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
Service cost	\$ 790	\$ 754	\$ 715	\$ 705	\$ 94	\$ 83	\$ 940	\$ 623	\$ 526
Interest cost	2,594	2,794	2,751	509	163	144	4,630	4,595	4,238
Expected return on plan assets	(2,580)	(2,652)	(2,884)	(298)	—	—	—	—	—
Effect of settlement	—	1,047	—	—	—	—	—	—	—
Net amortization and deferral	1,017	195	181	5	8	104	1,688	876	520
Net periodic benefit cost	\$ 1,821	\$ 2,138	\$ 763	\$ 921	\$ 265	\$ 331	\$ 7,258	\$ 6,094	\$ 5,284

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Assumptions Used in Calculating Periodic Benefit Cost and Benefit Obligations

The following table provides the applicable actuarial assumptions at March 31 (the measurement dates for the plans):

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Assumptions used to determine benefit obligations:			
Discount rate:			
U.S. qualified pension plans	6.25%	6.50%	7.50%
Switzerland pension plan	3.75%	NA	NA
Germany pension plan	5.25%	5.50%	6.00%
Postretirement plan	6.25%	6.50%	7.50%
Expected return on plan assets:			
U.S. qualified pension plans	8.00%	8.00%	8.00%
Switzerland pension plan	5.00%	NA	NA
Rate of compensation increase:			
Switzerland pension plan	2.00%	NA	NA
Germany pension plan	3.00%	3.00%	3.00%
Assumptions used to determine net periodic benefit cost:			
Discount rate:			
U.S. qualified pension plans	6.50%	7.50%	7.50%
Switzerland pension plan	3.75%	NA	NA
Germany pension plan	5.50%	6.00%	6.00%
Postretirement plan	6.50%	7.50%	7.50%
Expected return on plan assets:			
U.S. qualified pension plans	8.00%	8.00%	8.00%
Switzerland pension plan	5.00%	NA	NA
Rate of compensation increase:			
Switzerland pension plan	2.00%	NA	NA
Germany pension plan	3.00%	3.00%	3.00%

These assumptions are used to develop the projected benefit obligation at fiscal year-end and to develop net periodic benefit cost for the subsequent fiscal year. Therefore, for fiscal 2004, the assumptions used to determine net periodic benefit cost were established at March 31, 2003, while the assumptions used to determine benefit obligation were established at March 31, 2004.

The net periodic benefit cost and the actuarial present value of projected benefit obligation are based upon actuarial assumptions that are reviewed on an annual basis. These assumptions may be revised annually based upon an annual evaluation of long-term trends, as well as market conditions that may have

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an impact on the cost of providing benefits in accordance with the requirements of SFAS No. 87, "Employers' Accounting for Pensions."

In determining the March 31, 2004 benefit obligation, the Company has assumed a long-term rate of return on plan assets of 8.0% on United States qualified pension plans and 5.0% on the Switzerland pension plan. No other plans are funded. The Company develops its long term rate of return assumptions by evaluating input from third party professional advisors, taking into consideration the asset allocation of the portfolio and the long-term asset class return expectations.

In determining the March 31, 2004 benefit obligation, the Company has assumed a discount rate of 6.25% for the United States qualified pension plans and for the other postretirement benefit plan, 3.75% for the Switzerland pension plan and 5.25% for the Germany pension plan. The Company develops its discount rate assumptions by evaluating input from third party professional advisors, taking into consideration the current yield on country specific investment grade long-term bonds which provide for similar cash flow streams as the Company's projected benefit obligation.

The Company has made actuarial assumptions regarding healthcare costs in computing its postretirement benefit obligations. The assumed rates of increase generally decline ratably over a five year period from the assumed current year healthcare cost trend rate to the assumed long-term healthcare cost trend rate noted below.

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Actuarial assumptions:			
Healthcare cost trend rate—medical	12.0%	12.0%	9.0%
Healthcare cost trend rate—prescription drug	15.0%	15.0%	13.0%
Long-term healthcare cost trend rate	5.0%	5.0%	5.0%

A one-percentage point change in assumed healthcare cost trend rate (including medical, prescription drug and long-term rates) would have the following effect at March 31, 2004:

	<u>One-Percentage Point</u>	
	<u>Increase</u>	<u>Decrease</u>
Effect on total service and interest cost components	\$ 724	\$ (585)
Effect on postretirement benefit obligation	8,474	(6,997)

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Obligations and Funded Status

The following table presents an analysis of the changes for fiscal 2004 and fiscal 2003 in the projected benefit obligation, the plan assets, and the funded status of the U.S. qualified, International pension plans, and the postretirement plan:

	Pension Plans					
	U.S. Qualified		International		Other Post Retirement Plan	
	2004	2003	2004	2003	2004	2003
Change in benefit obligation:						
Benefit obligation at beginning of year	\$ 41,940	\$ 38,632	\$ 3,629	\$ 2,736	\$ 73,765	\$ 63,671
Benefit obligation associated with acquired business	—	—	8,169	—	—	—
Service cost	790	754	705	94	940	623
Interest cost	2,594	2,794	509	163	4,630	4,595
Actuarial loss	559	3,953	(71)	24	3,036	9,154
Benefits paid	(2,888)	(2,743)	(479)	(46)	(4,628)	(4,278)
Employee contributions	—	—	398	—	—	—
Settlements	—	(1,450)	—	—	—	—
Impact of foreign currency exchange rate changes	—	—	—	—	—	—
	—	—	660	658	—	—
Benefit obligation at end of year	\$ 42,995	\$ 41,940	\$ 13,520	\$ 3,629	\$ 77,743	\$ 73,765
Change in Plan Assets:						
Fair value of plan assets at beginning of year	\$ 34,240	\$ 35,069	\$ —	\$ —	\$ —	\$ —
Fair value of plan assets associated with acquired business	—	—	5,650	—	—	—
Actual return (loss) on plan assets	6,794	(2,974)	513	—	—	—
Employer contribution	—	7,000	458	46	4,628	4,278
Employee contributions	—	—	398	—	—	—
Benefits and expenses paid	(3,003)	(2,893)	(479)	(46)	(4,628)	(4,278)
Settlement	—	(1,962)	—	—	—	—
Fair value of plan assets at end of year	\$ 38,031	\$ 34,240	\$ 6,540	\$ —	\$ —	\$ —
Funded status of the plan	\$ (4,964)	\$ (7,700)	\$ (6,980)	\$ (3,629)	\$ (77,743)	\$ (73,765)
Unamortized transition amount	(620)	(730)	—	—	—	—
Unamortized prior service cost	1,585	1,873	—	—	—	—
Unamortized loss	7,941	12,572	148	352	22,044	20,696
Unrecognized net prepaid (accrued) benefit obligation	\$ 3,942	\$ 6,015	\$ (6,832)	\$ (3,277)	\$ (55,699)	\$ (53,069)
Adjustment required to recognize minimum liability	(8,353)	(13,249)	—	—	—	—
Net accrued benefit obligation	\$ (4,411)	\$ (7,234)	\$ (6,832)	\$ (3,277)	\$ (55,699)	\$ (53,069)

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Unrecognized gains and losses and the initial net pension asset are amortized over a fifteen year period. The projected benefit obligation applicable to pension plans with accumulated benefit obligations in excess of plan assets was \$55,430 and \$45,224 at March 31, 2004 and 2003, respectively. The accumulated benefit obligations related to these plans was \$54,016 and \$44,258 at March 31, 2004 and 2003 and the fair value of the related plan assets were \$43,367 and \$33,641 at March 31, 2004 and March 31, 2003, respectively. At March 31, 2004 and 2003, the aggregate accumulated benefit obligation for all defined benefit pension plans was \$55,089 and \$45,570, respectively.

The Company recorded intangible assets in recognition of unrecognized prior service cost of \$1,585 and \$1,873, and recorded additional minimum pension liabilities of \$8,353 and \$13,249 in connection with the pension plan obligations in the accompanying consolidated balance sheets as of March 31, 2004 and 2003, respectively. Accumulated other comprehensive income, as reported in the consolidated statement of shareholders' equity, included a loss of \$4,582 (net of deferred tax benefit of \$2,222) and \$7,281 (net of deferred tax benefit of \$4,095) as of March 31, 2004 and 2003, respectively. The Company has recorded prepaid pension costs related to pension plans that have plan assets in excess of benefit obligations of \$156 and \$253 as of March 31, 2004 and 2003, respectively.

Plan Assets

The following table presents the weighted average target allocations of plan assets for 2004 and the weighted average actual allocation of plan assets for 2004, 2003, and 2002 for the U.S. qualified pension plans and the funded international pension plan:

	Target Allocation Percentage 2004	Percentage of Plan Assets		
		2004	2003	2002
U.S. qualified pension plans:				
Equity securities	60%	60.2%	56.9%	52.2%
Debt securities	40%	39.8%	40.4%	46.7%
Cash	0%	0.0%	2.7%	1.1%
Total	100%	100%	100%	100%
International pension plan:				
Debt securities	45%-85%	58%	NA	NA
Equity securities	10%-40%	30%	NA	NA
Cash	8%-12%	12%	NA	NA
Total	100%	100%	100%	100%

The long-term target allocations in the preceding table reflect the Company's asset class return expectations and tolerance for investment risk within the context of the pension plans' long-term benefit obligations. Investment policies, strategies, and target allocations are developed on plan specific and country specific basis. The long-term target asset allocations are continually challenged and are supported by an analysis that incorporates historical and expected returns by asset class as well as volatilities across asset classes and the Company's liability profile. Due to market conditions and other factors, actual asset

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allocations may vary from the target allocations presented in the preceding table. The Company's Pension Oversight Committee actively monitors the plans' asset allocations and adherence to the investment policy. If asset allocations move outside of the tactical range, the portfolio is rebalanced to the original strategic weight. For the purpose of the above analysis, debt and equity securities include fixed income and equity security mutual funds, respectively. At March 31, 2004, 2003, and 2002, none of the plan's assets included investments in the Company's Common Shares.

Cash Flows

It is the Company's practice to fund amounts for the defined benefit pension plans at least sufficient to meet the minimum requirements set forth in applicable employee benefit laws and local tax laws. Liabilities for amounts in excess of these funding levels are included on the accompanying consolidated balance sheets of the Company. As of March 31, 2004, the Company does not expect to make contributions to the defined benefit plans in fiscal 2005.

Defined Contribution Plans

The Company maintains a defined contribution plan for eligible employees. The Company provides a match on a specified portion of an employee's contribution as approved by the Board of Directors. The defined contribution plan assets are held in trust and invested as directed by the plan participants. As of March 31, 2004, the plan owned 1.4 million shares of the Company's Common Shares with a fair value of \$35,380. The aggregate fair value of plan assets was \$195,199 as of March 31, 2004. The Company paid no dividends to the plan for the year ended March 31, 2004, 2003, and 2002. The Company's contributions to the defined contribution plan were \$4,553, \$4,174, and \$3,942, for the years ended March 31, 2004, 2003, and 2002, respectively.

10. Other Charges

Fiscal 2001 Charge

The Company concluded its 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. Of the \$41,476 charge, \$21,510 was charged to cost of products sold and \$19,966 was charged to selling, general, and administrative expenses in the consolidated statements of income.

The charge to cost of revenues included \$10,923 for inventory write-downs and asset disposals relating to the restructuring of the Company's production, distribution, service, and sales activities. The charge to cost of products sold also included \$10,587 for the consolidation of manufacturing operations. The Company's production operations in Medina, Ohio were consolidated into the Company's Montgomery, Alabama facility in August 2001. The Company's two St. Louis, Missouri manufacturing facilities were consolidated into one facility in March 2002. The consolidation costs primarily included severance and property abandonment costs.

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The charge to selling, general, and administrative expenses included \$10,163 to write-off goodwill related to purchased product lines that the Company discontinued. The remaining \$9,803 was composed of severance and asset write-offs related to portions of the sales, service, and distribution organizations.

Reductions to the restructuring reserves during fiscal 2004 related to employee severance payments of \$876. Reductions to the restructuring reserves during fiscal 2003 related to employee severance payments of \$1,460. During 2003, the Company also paid \$555 in settlement of pension liabilities for terminated employees. In addition, further reductions of \$1,058 were made to the restructuring reserves in 2003 as a result of the Company receiving a favorable ruling regarding certain salary continuation and severance benefits under a collective bargaining agreement. The \$1,058 reduction in the restructuring reserve was recorded as a reduction of costs of revenues on the accompanying consolidated statements of income for fiscal 2003. Reserves related to the 2001 restructuring of \$274 and \$1,150 remained as of March 31, 2004 and 2003, respectively, and related primarily to severance obligations. Payments related to these remaining severance liabilities at March 31, 2004, which relate to 4 former employees, will continue until December 2004.

Fiscal 2000 Charge

The Company performed a review of certain manufacturing and support functions during the fourth quarter of fiscal 2000. The review of manufacturing operations included an outside consultant's study and evaluation of manufacturing practices at several manufacturing plants. As a result of the review and study performed and the related plan to initiate improvements in these and other functions, a charge of \$39,722 (\$24,628 net of tax, or \$0.36 per diluted share) was recorded in the fourth quarter of fiscal 2000. The Company has completed all aspects of the operational changes related to the fiscal 2000 charge.

Reductions to the restructuring reserves during fiscal 2004 related to employee severance payments of \$22. Reductions to the restructuring reserve during fiscal 2003 amounted to \$392, related primarily to employee severance payments and lease payments. At March 31, 2004, no amounts remained to be paid out from the restructuring charge of 2000. At March 31, 2003, a restructuring reserve of \$22 remained, all of which was paid during the first quarter of fiscal 2004.

11. Commitments and Contingencies

The Company is involved in a number of legal proceedings and claims, which the Company believes arise from the ordinary course of its business. In the opinion of management, the ultimate outcomes of these proceedings and claims are not anticipated to have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows. Due to their inherent uncertainty, however, there can be no assurance of the ultimate outcome of current or future litigation, proceedings, investigations or claims or their effect. The Company presently maintains product liability insurance coverage in amounts and with deductibles that it believes are prudent.

As of March 31, 2004 and 2003, the Company was contingently liable in the amount of \$48,636 and \$53,773, respectively, under standby letters of credit and surety bonds. Approximately \$10,001 and \$11,704, respectively, of the totals at March 31, 2004 and 2003 relate to letters of credit required as security under the Company's self-insured risk retention policies. The remaining balance in each year relates to performance bonds on long-term contracts and surety bonds.

12. Business Segment Information

Effective April 1, 2003, management realigned the Company into three business segments to focus resources on specific missions and customer groups to achieve the Company's long-term strategic initiatives

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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 SFAS 131, "Disclosures about Segments of an Enterprise and Related Information," as a basis to determine the aggregation of operations into segments. Each operation was grouped into a segment based upon 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.

The Life Sciences reporting segment consists of the Life Sciences business and 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.

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Financial information for each of the Company's reportable segments is presented in the following table. Prior year financial information has been reclassified based upon the current year revised segment reporting. Operating income for each segment reflects the full allocation of all distribution, corporate, research and development expenses to the reporting segments. The accounting policies for reporting segments are the same as those for the consolidated Company. For the year ended March 31, 2004, revenues from a single customer did not aggregate to five percent or more of total revenues.

	Years Ended March 31,		
	2004	2003	2002
Net revenues			
Healthcare	\$ 752,881	\$ 697,451	\$ 635,821
Life Sciences	246,116	195,302	158,296
STERIS Isomedix Services	88,015	79,334	72,580
Total net revenues	\$ 1,087,012	\$ 972,087	\$ 866,697
Operating income (loss)			
Healthcare	\$ 121,748	\$ 114,232	\$ 83,771
Life Sciences	4,977	795	(12,819)
STERIS Isomedix Services	13,631	10,742	9,661
Total operating income	\$ 140,356	\$ 125,769	\$ 80,613

Financial information for each of the Company's geographic areas is presented in the following table. Revenues are based on the location of these operations and their customers. Long-lived assets are those assets that are identified within the operations in each geographic area, including property, plant, equipment, and other assets.

	Years Ended March 31,		
	2004	2003	2002
Net revenues			
United States	\$ 842,512	\$ 786,239	\$ 733,560
International	244,500	185,848	133,137
Total net revenues	\$ 1,087,012	\$ 972,087	\$ 866,697
	March 31,		
	2004		2003
Long-lived assets			
United States	\$ 338,036		\$ 316,492
International	41,942		31,652
Total long-lived assets	\$ 379,978		\$ 348,144

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share amounts)

13. Common Shares

Basic earnings per share is based on weighted average Common Shares outstanding. Diluted earnings per share is based on the weighted average Common Shares outstanding plus the dilutive effect of Common Share equivalents calculated using the treasury stock method. The following is a summary of Common Shares and Common Share equivalents outstanding used in the calculations of earnings per share:

	Years Ended March 31,		
	2004	2003	2002
		(in thousands)	
Weighted average Common Shares outstanding—basic	69,521	69,434	69,163
Dilutive effect of common Share equivalents	1,221	1,436	1,444
Weighted average Common Shares and equivalents—diluted	70,742	70,870	70,607

Options to purchase the following number of Common Shares at the following weighted average exercise prices were outstanding but excluded from the computation of diluted earnings per share because the exercise prices were greater than the average market price for the Common Shares during the period:

	Years Ended March 31,		
	2004	2003	2002
		(Shares in thousands)	
Number of common stock options	585	613	1,088
Weighted average exercise price	\$ 30.65	\$ 30.61	\$ 27.28

14. Stock-Based Compensation

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. Stock options granted generally become exercisable to the extent of one-fourth of the optioned shares for each full year of employment following the date of grant and generally expire 10 years after the date of grant, or earlier if an option holder ceases to be employed by the Company. Certain option agreements have provisions that provide for an adjustment to the normal vesting schedule, whereby, options vest on a prorated basis as defined by specific option agreements in the event of employment termination. The Company accounts for stock-based compensation under the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," as permitted by Statement of Financial Accounting Standards No. 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. Note 1, "Accounting Policies," discusses the compensation cost for the stock options granted in fiscal 2004, 2003, and 2002, had it been determined based on the value at the grant date consistent with the fair value method. Fair value was estimated at the date of grant using the Black-Scholes option pricing model and the following weighted-average assumptions for the years ended March 31, 2004, 2003, and 2002: risk-free interest rate of 3.50% to 6.90%; dividend yield of 0%; expected volatility of 45%; and an expected option life of 5 years.

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share amounts)

The following is a summary of option share information:

	Shares	Weighted Average Price	Fair Value
March 31, 2001	6,202,663	\$ 13.58	
Granted	1,340,640	14.61	\$6.46
Exercised	(785,745)	8.21	
Canceled	(528,161)	16.52	
March 31, 2002	6,229,397	14.22	
Granted	1,248,194	19.75	8.76
Exercised	(1,169,655)	9.40	
Canceled	(248,678)	20.51	
March 31, 2003	6,059,258	16.03	
Granted	1,216,800	22.60	9.93
Exercised	(961,468)	12.23	
Canceled	(179,680)	20.33	
March 31, 2004	6,134,910	17.80	

Shares available for future grants were 4,797,295 as of March 31, 2004. At March 31, 2004, the range and weighted average per share exercise prices of options outstanding and exercisable, and the weighted average remaining contract life, were as follows:

Range of Exercise Prices	Outstanding			Exercisable	
	Option Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Life (Years)	Option Shares	Weighted Average Exercise Price
\$ 5.34—\$ 9.00	764,261	\$ 8.81	5.71	523,261	\$ 8.73
\$ 9.01—\$13.45	1,597,607	12.17	5.51	1,175,478	11.72
\$13.46—\$18.25	320,000	15.62	5.76	257,250	15.08
\$18.26—\$30.66	3,453,042	22.60	7.12	1,581,766	24.10
	6,134,910	17.80	6.45	3,537,755	17.06

At March 31, 2003, options with a weighted average exercise price of \$16.69 were exercisable on 3,388,517 shares; at March 31, 2002, options with a weighted average exercise price of \$15.22 were exercisable on 3,631,335 shares.

Under a Shareholder Rights Agreement, one Common Share Purchase Right ("Right") is attached to each outstanding Common Share. Each Right is exercisable only if a person or group acquires 15% or more of the outstanding Common Shares. If the Rights become exercisable, each Right will entitle the holder (other than the acquiring person or group) to acquire one Common Share for an exercise price of \$.50 per share. The Rights will expire on November 7, 2006, unless redeemed earlier at one half cent per Right.

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share amounts)

15. 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 fiscal 2004, the Company purchased 761,200 of its Common Shares for \$16,609, representing an average price of \$21.82 per Common Share, and at March 31, 2004, 2,238,800 Common Shares remain authorized for purchase. At March 31, 2004, 283 Common Shares were held in treasury.

Refer to the Note 17, "Subsequent Events," for information regarding Common Shares purchased by the Company subsequent to March 31, 2004.

16. 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 country where the Company conducts 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 consolidated 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 recorded amounts as necessary.

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

	Years Ended March 31,		
	2004	2003	2002
Balance, beginning of year	\$ 4,861	\$ 3,256	\$ 3,168
Warranty obligation associated with acquired business	1,253	—	—
Warranties issued during the period	9,056	8,590	6,686
Settlements made during the period	(9,828)	(6,985)	(6,598)
Balance, end of year	\$ 5,342	\$ 4,861	\$ 3,256

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 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 due 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 \$12,342, \$11,149, and \$9,771 as of March 31, 2004, 2003, and 2002 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.

17. Subsequent Events (unaudited)

As of June 10, 2004, the Company had purchased 1,265,100 of its Common Shares during the first quarter of fiscal 2005, at an average price of \$22.25 per Common Share leaving 973,700 Common Shares authorized for purchase.

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share amounts)

18. Quarterly Data (Unaudited)

	Quarters Ended			
	March 31	December 31	September 30	June 30
<i>(dollars in thousands)</i>				
Fiscal 2004				
Net revenues				
Product	\$ 205,041	\$ 191,362	\$ 177,476	\$ 180,642
Service	91,016	82,924	79,913	78,638
Total net revenues	296,057	274,286	257,389	259,280
Cost of revenues				
Product	119,908	112,120	101,924	105,963
Service	50,532	47,069	44,851	46,746
Total cost of revenues	170,440	159,189	146,775	152,709
Gross profit	125,617	115,097	110,614	106,571
Percentage of revenues	42.4%	42.0%	43.0%	41.1%
Net income	\$ 30,309	\$ 27,093	\$ 20,369	\$ 16,472
Net income per share – basic	\$ 0.43	\$ 0.39	\$ 0.29	\$ 0.24
Net income per share – diluted	\$ 0.43	\$ 0.38	\$ 0.29	\$ 0.23
Fiscal 2003				
Net revenues				
Product	\$ 197,463	\$ 173,245	\$ 161,556	\$ 154,760
Service	76,229	71,067	71,176	66,591
Total net revenues	273,692	244,312	232,732	221,351
Cost of revenues				
Product	111,307	97,101	93,890	90,666
Service	45,717	43,268	42,447	38,870
Total cost of revenues	157,024	140,369	136,337	129,536
Gross profit	116,668	103,943	96,395	91,815
Percentage of revenues	42.6%	42.5%	41.4%	41.5%
Net income	\$ 26,709	\$ 21,480	\$ 18,411	\$ 12,836
Net income per share – basic	\$ 0.38	\$ 0.31	\$ 0.27	\$ 0.18
Net income per share – diluted	\$ 0.38	\$ 0.30	\$ 0.26	\$ 0.18

- (1) Per share Common Share amounts for the quarters and the full year have been computed separately. Accordingly, quarterly amounts may not add to the annual amounts because of differences in the average Common Shares outstanding during each period due to the effect of potentially dilutive securities only in the periods in which such effect would be dilutive and the effect of the Company purchasing shares of its outstanding Common Shares.

STERIS CORPORATION AND SUBSIDIARIES
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
(dollars in thousands)

COL. A	COL. B	COL. C	COL. D	COL. E	COL. F
Description	Balance at Beginning of Period	Charges to Costs and Expenses	Charges to Other Accounts(3)	Deductions(1)	Balance at End of Period
Year ended March 31, 2004					
Deducted from asset accounts:					
Allowance for trade accounts receivable(2)	\$ 8,637	\$ (224)	\$ 26	\$ (236)	\$ 8,623
Year ended March 31, 2003					
Deducted from asset accounts:					
Allowance for trade accounts receivable(2)	\$ 8,031	\$ 3,478	\$ —	\$ 2,872	\$ 8,637
Year ended March 31, 2002					
Deducted from asset accounts:					
Allowance for trade accounts receivable(2)	\$ 9,006	\$ 1,030	\$ —	\$ 2,005	\$ 8,031

- (1) Uncollectible accounts written off, net of recoveries.
- (2) Net allowance for doubtful accounts and allowance for sales and returns.
- (3) Change in foreign currency exchange, international subsidiaries.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

As of March 31, 2004, 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 disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934 (the "Exchange Act") as of the end of the period covered by this report (the "Evaluation Date"). Based on this review, the Company's management, including the CEO and CFO concluded as of the Evaluation Date that the disclosure controls and procedures were effective such that material information required to be included in the Company's reports under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by the Securities and Exchange Commission.

There were no changes in internal controls over financial reporting during the fourth quarter of the Company's fiscal year 2004 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The Company incorporates herein by reference the information appearing under the caption “Nominees for Terms Expiring at the Annual Meeting in 2006” and “Continuing Directors Whose Terms Expire at the Annual Meeting in 2005” and “Section 16(a) Beneficial Ownership Reporting Compliance” of the Company’s definitive Proxy Statement to be filed with the Securities and Exchange Commission on or about June 21, 2004.

Executive officers of the Company serve for a term of one year from the date of election to the next organizational meeting of the Board of Directors and until their respective successors are elected and qualified, except in the case of death, resignation, or removal. Information concerning executive officers of the Company is contained in Part I, Item 4 of this report. The Company has adopted a code of ethics, its Code of Business Conduct for Employees, that applies to its principal executive officer, principal financial officer, and controller, as well as all other employees of the Company. The Company also has adopted a code of ethics, its Director Code of Ethics, that applies to the members of the Company’s Board of Directors. The Company’s Code of Business Conduct for Employees and the Director Code of Ethics can be found on the Company’s Investor Relations website at www.steris.com. Should the Company ever be required to satisfy the disclosure requirement under Item 10 of SEC Form 8-K regarding an amendment to, or a waiver from, a provision of its code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions and that relates to any element of the code of ethics definition enumerated in paragraph (b) of Item 406 of SEC Regulation S-K, it intends to satisfy such requirement by posting such information on its Internet website, referenced above.

ITEM 11. EXECUTIVE COMPENSATION

The Company incorporates herein by reference the information appearing beginning under the caption “Board Compensation” and continuing through the end of the section titled “Stock Performance Graph” of the Company’s definitive Proxy Statement to be filed with the Securities and Exchange Commission on or about June 21, 2004.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The Company incorporates herein by reference the information appearing under the caption “Ownership of Voting Securities” of the Company’s definitive Proxy Statement to be filed with the Securities and Exchange Commission on or about June 21, 2004.

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In the table shown below is information concerning all equity compensation plans and individual compensation arrangements in effect as of the end of the Company's fiscal year ended March 31, 2004:

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u>
	(a)	(b)	(c)
Equity compensation plans approved by security holders	5,679,910	\$ 17.79	4,797,295(1)
Equity compensation plans not approved by security holders	455,000(2)	17.97	—
Total	6,134,910	17.80	4,797,295

- (1) Options for approximately 0.9 million of these Common Shares were issued to key employees on April 22, 2004, leaving approximately 3.9 million Common Shares available for future grants.
- (2) Represents options granted to key employees as inducements for them to enter into the employ of the Company or a subsidiary. Although not issued pursuant to a plan approved by security holders, these options are, in general, subject to the terms of the STERIS Corporation 1994 Equity Compensation Plan (which was approved by security holders) to the same extent as if they had been issued pursuant to that plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company incorporates herein by reference the information appearing under Item 11 hereof.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information relating to principal accounting fees and services is set forth under the caption "Independent Auditor" of the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission on or about June 21, 2004.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

LIST OF CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

(a) (1) The following consolidated financial statements of STERIS Corporation and subsidiaries are included in Item 8:

[Consolidated Balance Sheets—March 31, 2004 and 2003.](#)

[Consolidated Statements of Income—Years ended March 31, 2004, 2003, and 2002.](#)

[Consolidated Statements of Cash Flows—Years ended March 31, 2004, 2003, and 2002.](#)

[Consolidated Statements of Shareholders' Equity—Years ended March 31, 2004, 2003, and 2002.](#)

[Notes to Consolidated Financial Statements.](#)

(a) (2) The following consolidated financial statement schedule of STERIS Corporation and subsidiaries is included in Item 8:

Schedule II—Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

(a) (3) *Exhibits*

Exhibit Number	Exhibit Description
3.1	1992 Amended Articles of Incorporation of STERIS Corporation, as amended on May 14, 1996, November 6, 1996, and August 6, 1998 (filed as Exhibit 3.1 to Form 10-K filed for the fiscal year ended March 31, 2000, and incorporated herein by reference).
3.2	1992 Amended Regulations of STERIS Corporation (filed as Exhibit 3.2 to Form 10-K for the fiscal year ended March 31, 2003, and incorporated herein by reference).
4.1	Specimen Form of Common Stock Certificate (filed as Exhibit 4.1 to Form 10-K filed for the fiscal year end March 31, 2002, and incorporated herein by reference).
4.2	Amended and Restated Rights Agreement, dated as of January 21, 1999, between STERIS Corporation and National City Bank, as successor Rights Agent (filed as Exhibit 4.2 to the Registration Statement on Form 8-A filed April 16, 1999, and incorporated herein by reference).
4.3	Amendment No. 1, dated June 7, 2002, to Amended and Restated Rights Agreement, dated as of January 21, 1999, between STERIS Corporation and National City Bank, as successor Rights Agent (filed as Exhibit 4.1 to the Registration Statement on Form 8-A/A filed June 10, 2002, and incorporated herein by reference).
10.1	Amended Non-Qualified Stock Option Plan (filed as Exhibit 10.4 to Amendment No. 1 to the Registration Statement on Form S-1 filed April 23, 1992, and incorporated herein by reference).*

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Exhibit Number	Exhibit Description
10.2	STERIS Corporation 1994 Equity Compensation Plan (filed as Exhibit 99 to the Registration Statement on Form S-8 filed April 21, 1995, and incorporated herein by reference).*
10.3	STERIS Corporation 1994 Nonemployee Directors Equity Compensation Plan (filed as Exhibit 10.3 to Form 10-K filed for the fiscal year ended March 31, 2002, and incorporated herein by reference).*
10.4	Amsco International, Inc. Stock Option Plan (incorporated by reference to Exhibit 4.1 to the Registration Statement of Amsco International, Inc. on Form S-8, Registration No. 33-79566, filed on June 2, 1994).*
10.5	STERIS Corporation 1997 Stock Option Plan (filed as Exhibit 10.5 to Form 10-K for the fiscal year ended March 31, 2003, and incorporated herein by reference).*
10.6	STERIS Corporation 1998 Long-Term Incentive Stock Plan (filed as Exhibit 10.8 to Form 10-K for the fiscal year ended March 31, 1999, and incorporated herein by reference).*
10.7	STERIS Corporation 2002 Stock Option Plan (filed as Exhibit 10.7 to Form 10-K for the fiscal year ended March 31, 2003, and incorporated herein by reference).*
10.8	STERIS Corporation Management Incentive Compensation Plan (filed as Exhibit 10.8 to Form 10-K for the fiscal year ended March 31, 2003, and incorporated herein by reference).*
10.9	Senior Executive Management Incentive Compensation Plan (filed as Exhibit 10.11 to Form 10-K for the fiscal year ended March 31, 1999, and incorporated herein by reference).*
10.10	Change of Control Agreement between STERIS Corporation and Mr. Vinney (filed as Exhibit 10.18 to Form 10-K filed for the fiscal year ended March 31, 2000, and incorporated herein by reference).*
10.11	Form of Change of Control Agreement between STERIS Corporation and the executive officers of STERIS Corporation other than Mr. Vinney (filed as Exhibit 10.2 to Form 10-Q filed for the quarter ended June 30, 1999, and incorporated herein by reference).*
10.12	Employment Agreement between STERIS Corporation and Mr. Vinney (filed as Exhibit 10.21 to Form 10-K filed for the fiscal year ended March 31, 2000, and incorporated herein by reference).*
10.13	Amended and Restated Credit Agreement, dated March 29, 2004, among STERIS Corporation, various financial institutions, and KeyBank National Association, as Agent, Joint Lead Arranger and Book Runner.
10.14	Note Purchase Agreement, dated December 17, 2003, between STERIS Corporation and certain institutional investors (filed as Exhibit 10.3 to Form 10-Q filed for the third quarter ended December 31, 2003, and incorporated herein by reference).
10.15	Subsidiary Guaranty, dated December 17, 2003, by certain subsidiaries of STERIS Corporation (filed as Exhibit 10.4 to Form 10-Q filed for the third quarter ended December 31, 2003, and incorporated herein by reference).
10.16	Guaranty Supplement dated March 29, 2004 by Steriltek Holdings, Inc. and STERIS Corporation
14.1	Director Code of Ethics
14.2	Code of Business Conduct for Employees
21.1	Subsidiaries of STERIS Corporation

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Exhibit Number	Exhibit Description
23.1	Consent of Independent Registered Public Accounting Firm
24.1	Power of Attorney.
31.1	Certification of the Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)
31.2	Certification of the Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)
32.1	Certification of the Chief Executive Officer and the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* A management contract or compensatory plan or arrangement required to be filed as an exhibit hereto.

STERIS or its subsidiaries are parties to several indentures relating to long-term debt instruments, which, individually or in the aggregate, do not exceed 10% of the total assets of STERIS and its subsidiaries on a consolidated basis. STERIS will furnish a copy of any such indenture to the Securities and Exchange Commission upon request.

(b) Reports on Form 8-K

On January 12, 2004, STERIS furnished a Current Report on Form 8-K with a copy of materials that were prepared for the JPMorgan Healthcare Conference and presented by the Company's senior management on January 12, 2004.

On January 22, 2004, STERIS furnished a Current Report on Form 8-K including the press release issued in connection with the third quarter results of operation.

On January 28, 2004, STERIS furnished a Current Report on Form 8-K with a copy of materials that were prepared for the US Bancorp Piper Jaffray Health Care Conference and was presented by the Company's senior management on January 28, 2004.

On March 10, 2004, STERIS furnished a Current Report on Form 8-K with a copy of materials that were prepared for the SG Cowen Health Care Conference and presented by the Company's senior management on March 11, 2004.

On March 31, 2004, STERIS furnished a Current Report on Form 8-K announcing that it signed a five-year, \$275 million unsecured credit agreement with a syndicate of eight commercial banks, replacing the Company's existing three-year \$275 million unsecured credit agreement.

(c) Exhibits

The response to this portion of Item 15 is included under (a) (3) of this Item 15.

(d) Financial Statement Schedules

Not applicable.

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the date indicated.

STERIS Corporation
(Registrant)

/s/ LAURIE BRLAS

Laurie Brlas
Senior Vice President and
Chief Financial Officer

June 14, 2004

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

LES C. VINNEY, President and Chief Executive Officer, and Director; LAURIE BRLAS, Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer); JERRY E. ROBERTSON, Chairman of the Board of Directors; STEPHEN R. HARDIS, Director; JACQUELINE KOSECOFF, Director; RAYMOND A. LANCASTER, Director; KEVIN M. MCMULLEN, Director; J.B. RICHEY, Director; JOHN P. WAREHAM, Director, and LOYAL W. WILSON, Director.

STERIS Corporation
(Registrant)

/s/ MARK D. MCGINLEY

Mark D. McGinley
Attorney-in-Fact

June 14, 2004

AMENDED AND RESTATED CREDIT AGREEMENT

among

STERIS CORPORATION,
as Borrower,

THE LENDING INSTITUTIONS PARTIES HERETO
as Lenders,

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

LASALLE BANK NATIONAL ASSOCIATION,
as Syndication Agent and Joint Lead Arranger,

BANK ONE, NA,
as Co-Documentation Agent,

HARRIS TRUST AND SAVINGS BANK,
as Co-Documentation Agent,

PNC BANK, NATIONAL ASSOCIATION,
as Co-Documentation Agent,

NATIONAL CITY BANK,
as Managing Agent,

and

THE BANK OF NEW YORK,
as Managing Agent

dated as of
March 29, 2004

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This AMENDED AND RESTATED CREDIT AGREEMENT (as the same may from time to time be amended, restated or otherwise modified, this "Agreement") is effective as of March 29, 2004, among:

- (a) STERIS CORPORATION, an Ohio corporation ("Borrower");
- (b) the lending institutions listed on Schedule 1 hereto and each other lending institution that becomes a party hereto pursuant to Section 10.10 hereof (collectively, the "Lenders" and, individually, each a "Lender");
- (c) KEYBANK NATIONAL ASSOCIATION, as administrative agent for the Lenders under this Agreement (together with any successor agent appointed pursuant to Section 9.10 hereof, "Agent") and as Joint Lead Arranger and Book Runner;
- (d) LASALLE BANK NATIONAL ASSOCIATION, as Joint Lead Arranger, Syndication Agent and as the LC Issuer (as hereinafter defined);
- (e) BANK ONE, NA, as Co-Documentation Agent;
- (f) HARRIS TRUST AND SAVINGS BANK, as Co-Documentation Agent;
- (g) PNC BANK, NATIONAL ASSOCIATION, as Co-Documentation Agent;
- (h) NATIONAL CITY BANK, as Managing Agent; and
- (i) THE BANK OF NEW YORK, as Managing Agent.

INTRODUCTORY STATEMENTS:

A. Borrower, Agent, and certain financial institutions (collectively, the "Original Lenders") are parties to the Credit Agreement, dated as of March 28, 2002 (as amended, the "Original Credit Agreement"), and the parties thereto wish to make certain modifications thereto.

B. Borrower has requested that the Original Credit Agreement be amended and restated to make certain modifications thereto.

C. The Lenders and Agent are agreeable to Borrower's request and to amending and restating the Original Credit Agreement, upon the terms and subject to the conditions set forth below.

AGREEMENT:

In consideration of the premises and mutual agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto, the parties hereto hereby agree that on the Closing Date (as hereinafter

defined) the Original Credit Agreement shall be amended and restated to read in its entirety as follows:

ARTICLE I.

DEFINITIONS

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

“Acquisition” means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of any Person, or any business or division of any Person, (b) the acquisition of 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.

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

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

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

“Agent Fee Letter” means the Amended and Restated Agent Fee Letter between Borrower and Agent, dated as of the Closing Date, as the same may from time to time be amended, restated or otherwise modified.

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

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

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

“Alternate Currency Rate” means, with respect to an Alternate Currency Loan, for any Interest Period, a rate per annum equal to the quotient obtained (rounded upwards, if necessary, to the nearest 1/16th of 1%) by dividing (a) the rate of interest, determined by Agent in accordance with its usual procedures (which determination shall be conclusive absent manifest error) as of approximately 11:00 A.M. (London time) two Business Days prior to the beginning of such Interest Period pertaining to such Alternate Currency Loan, as listed on British Bankers Association Interest Rate LIBOR 01 or 02 as provided by Reuters (or, if for any reason such rate is unavailable from Reuters, from any other similar company or service that provides rate quotations comparable to those currently provided by Reuters) as the rate in the London interbank market for deposits in the relevant Alternate Currency in immediately available funds with a maturity comparable to such Interest Period, *provided* that, in the event that such rate quotation is not available for any reason, then the Alternate Currency Rate shall be the average (rounded upward to the nearest 1/16th of 1%) of the per annum rates at which deposits in immediately available funds in the relevant Alternate Currency for the relevant Interest Period and in the amount of the Alternate Currency Loan to be disbursed or to remain outstanding during such Interest Period, as the case may be, are offered to Agent (or an affiliate of Agent, in Agent’s discretion) by prime banks in any Alternate Currency market reasonably selected by Agent, determined as of 11:00 A.M. (London time) (or as soon thereafter as practicable), two Business Days prior to the beginning of the relevant Interest Period pertaining to such Alternate Currency Loan hereunder; by (b) 1.00 minus the Reserve Percentage.

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

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“Applicable Facility Fee Rate” means:

(a) for the period from the Closing Date through June 30, 2004, 12.50 basis points; and

(b) commencing with the financial statements for the fiscal year ending March 31, 2004, the number of basis points set forth in the following matrix, based upon the result of the computation of the Leverage Ratio, shall be used to establish the number of basis points that will go into effect on July 1, 2004 and thereafter:

<u>Leverage Ratio</u>	<u>Applicable Basis Points</u>
Greater than or equal to 2.50 to 1.00	32.50
Greater than or equal to 2.00 to 1.00 but less than 2.50 to 1.00	27.50
Greater than or equal to 1.50 to 1.00 but less than 2.00 to 1.00	22.50
Greater than or equal to 1.00 to 1.00 but less than 1.50 to 1.00	17.50
Less than 1.00 to 1.00	12.50

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

“Applicable Margin” means:

(a) for the period from the Closing Date through June 30, 2004, (i) 50 basis points for Fixed Rate Loans and Swing Loans, and (ii) 0 basis points for Base Rate Loans; and

(b) commencing with the financial statements for the fiscal year ending March 31, 2004, the number of basis points set forth in the following matrix, based upon the result of the computation of the Leverage Ratio, shall be used to establish the number of basis points that will go into effect on July 1, 2004 and thereafter:

<u>Leverage Ratio</u>	<u>Applicable Basis Points for Fixed Rate Loans and Swing Loans</u>	<u>Applicable Basis Points for Base Rate Loans</u>
Greater than or equal to 2.50 to 1.00	142.50	50
Greater than or equal to 2.00 to 1.00 but less than 2.50 to 1.00	110.00	0
Greater than or equal to 1.50 to 1.00 but less than 2.00 to 1.00	90.00	0
Greater than or equal to 1.00 to 1.00 but less than 1.50 to 1.00	70.00	0
Less than 1.00 to 1.00	50.00	0

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

“Approved Derivatives Contract” means (a) a Hedge Agreement entered into in the ordinary course of business and not for speculative purposes, or (b) a commodities contract purchased by a Company in the ordinary course of business, and not for speculative purposes, with respect to aluminum, steel, nickel or any other metal necessary to the manufacturing of goods in connection with the business of such Company.

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

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

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

“Base Rate Loan” means a Loan described in Section 2.02(a) hereof on which Borrower shall pay interest at a rate based on the Base Rate.

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

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

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

“Change in Control” means (a) the acquisition of, or, if earlier, the shareholder or director approval of the acquisition of, ownership or voting control, directly or indirectly, beneficially or of record, on or after the Closing Date, by any Person or group (within the meaning of Rule 13d-3

of the SEC under the Securities Exchange Act of 1934, as then in effect), of shares representing more than 40% of the aggregate ordinary Voting Power represented by the issued and outstanding capital stock of Borrower; or (b) the occupation of a majority of the seats (other than vacant seats) on the board of directors of Borrower by Persons who were neither (i) nominated by the board of directors of Borrower nor (ii) appointed by directors so nominated.

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

“Closing Date” means the effective date of this Agreement.

“Closing Fee Letter” means the Amended and Restated Closing Fee Letter, dated as of the Closing Date, from Borrower to the Lenders.

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

“Commitment” means the obligation hereunder of the Lenders to make Loans and to participate in the issuance of Letters of Credit pursuant to the Revolving Credit Commitments up to the Total Commitment Amount.

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

“Commitment Period” means the period from the Closing Date to March 29, 2009, or such earlier date on which the Commitment shall have been terminated pursuant to Article VIII hereof.

“Company” means Borrower or a Subsidiary.

“Companies” means Borrower and all Subsidiaries.

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

“Consideration” means, in connection with an Acquisition, the aggregate consideration paid, including borrowed funds, cash, the issuance of securities or notes, the assumption or incurring of liabilities (direct or contingent), the payment of consulting fees or fees for a covenant not to compete and any other consideration paid for the such purchase.

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

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

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

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

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

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

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

“Consolidated Net Worth” means, at any date, the stockholders’ equity of Borrower, determined on a Consolidated basis and in accordance with GAAP.

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

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

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

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

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

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

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

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

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

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

“Dollar” or \$ means lawful money of the United States of America.

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

Equivalent for purposes of determining (i) Borrower's obligation to prepay Loans pursuant to Section 2.12 hereof, or (ii) Borrower's ability to request additional Loans pursuant to the Commitment, Agent may, in its discretion, on any Business Day (prior to payment in full of the Debt) selected by Agent, calculate the Dollar Equivalent of each such Loan. Agent shall notify Borrower of the Dollar Equivalent of such Alternate Currency Loan, or any other amount, at the time that Dollar Equivalent is determined.

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

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

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

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

"ERISA Event" means (a) the existence of a condition or event with respect to an ERISA Plan that presents a risk of the imposition of an excise tax or any other liability on a Company or of the imposition of a Lien on the assets of a Company; (b) the engagement by a Controlled Group member in a non-exempt "prohibited transaction" (as defined under ERISA Section 406 or Code Section 4975) or a breach of a fiduciary duty under ERISA that could result in liability to a Company; (c) the application by a Controlled Group member for a waiver from the minimum funding requirements of Code Section 412 or ERISA Section 302 or a Controlled Group member is required to provide security under Code Section 401(a)(29) or ERISA Section 307; (d) the occurrence of a Reportable Event with respect to any Pension Plan as to which notice is required to be provided to the PBGC; (e) the withdrawal by a Controlled Group member from a Multiemployer Plan in a "complete withdrawal" or a "partial withdrawal" (as such terms are defined in ERISA Sections 4203 and 4205, respectively); (f) the involvement of, or occurrence or existence of any event or condition that makes likely the involvement of, a Multiemployer Plan in any reorganization under ERISA Section 4241; (g) the failure of an ERISA Plan (and any related trust) that is intended to be qualified under Code Sections 401 and 501 to be so qualified or the failure of any "cash or deferred arrangement" under any such ERISA Plan to meet the requirements of Code Section 401(k), other than any failure by any ERISA Plan of the ADP or ACP tests during any calendar year that would require the return of Code Section 401(k) contributions to highly compensated employees, which failure has not been corrected by March 15th of the next succeeding calendar year; (h) the taking by the PBGC of any steps to terminate a Pension Plan or appoint a trustee to administer a Pension Plan; (i) the failure by a Controlled Group member or an ERISA Plan to satisfy any requirements of law applicable to an ERISA Plan; (j) the commencement, existence or threatening of a claim, action, suit, audit or investigation with respect to an ERISA Plan, other than a routine claim for benefits or a routine audit of an ERISA Plan by or on behalf of the Internal Revenue Service, the Department of Labor, and/or the PBGC, which audit is concluded within six months of its commencement

and does not result in any material monetary liability of any Company; or (k) any occurrence by or any expectation of the incurrence by a Controlled Group member of any liability for post-retirement benefits under any Welfare Plan, other than as required by ERISA Section 601, et. seq. or Code Section 4980B.

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

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

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

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

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

“Excluded Agreement” means any contract or agreement entered into in connection with Indebtedness permitted to be incurred pursuant to Section 5.08(c), (h), (i) or (k).

“Existing Letters of Credit” means, collectively, (a) each of the letters of credit issued by LaSalle Bank National Association that are more fully described on Schedule 2 hereto, (b) each of the letters of credit issued by KeyBank National Association that are more fully described on Schedule 2 hereto, and (c) each of the letters of credit issued by PNC Bank, National Association that are more fully described on Schedule 2 hereto.

“Existing Letter of Credit Issuer” means LaSalle Bank National Association, KeyBank National Association or PNC Bank, National Association, as the case may be, as the issuer with respect to each Existing Letter of Credit.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Loan, such Alternate Currency Loan shall be repaid on the last day of the applicable Interest Period.

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

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

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

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

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

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

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

“Letter of Credit Commitment” means the commitment of the LC Issuer, on behalf of the Lenders, to issue Letters of Credit in Dollars or Alternate Currency in an aggregate outstanding face amount of up to \$75,000,000 (or the Dollar Equivalent thereof), during the Commitment Period, on the terms and conditions set forth in Section 2.02(c) hereof.

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

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

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

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

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

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

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

“Look-Back Date” means (a) March 31, 2003, if the Representation Date is earlier than April 1, 2006, or (b) the last day of the last fiscal quarter that ended at least three years before the Representation Date, if the Representation Date is after March 31, 2006.

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

“Material Indebtedness” means, as to any Company, any particular Indebtedness of such Company or guaranteed by such Company, the aggregate principal amount of which is in excess of \$20,000,000 (or the Dollar Equivalent thereof).

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

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

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

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

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

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

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

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

“Original Closing Date” means March 28, 2002.

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

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

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

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

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

“Permitted Foreign Subsidiary Loans and Investments” means (a) any investment by a Foreign Subsidiary in, or loan from a Foreign Subsidiary to, another Company (other than the Insurance Subsidiary or the Receivables Subsidiary), (b) any investment by a Domestic Company in a Foreign Subsidiary made in the ordinary course of business, (c) any loan from a Domestic Company to a Foreign Subsidiary made in the ordinary course of business, and (d) any Indebtedness of a Foreign Subsidiary owing to another Person (other than a Company) incurred in the ordinary course of business, so long as the aggregate amount of all such loans, investments and Indebtedness (including the loans, investments and Indebtedness outstanding on the Closing Date) for all Companies pursuant to subparts (b), (c) and (d) above does not exceed, at any time, an amount equal to 35% of Consolidated Net Worth, based upon Borrower’s financial statements for the most recently completed fiscal quarter.

“Permitted Insurance Subsidiary Loans and Investments” means (a) any investment by the Insurance Subsidiary in, or loan from the Insurance Subsidiary to, a Domestic Company,

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

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

"Permitted Third Party Investments" means any Pre-Closing Permitted Third Party Investments and any Post-Closing Permitted Third Party Investments.

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

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

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

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

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

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

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

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

“Reportable Event” means a reportable event as that term is defined in Title IV of ERISA, except actions of general applicability by the Secretary of Labor under Section 110 of such Act.

“Representation Date” means, with respect to the making of the representation and warranty in Section 4.13 hereof, the date on which that representation and warranty is made or deemed to be made.

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

“Required Lenders” means the holders of at least 51% of the Total Commitment Amount, or, if there is any borrowing hereunder, the holders of at least 51% of the aggregate principal amount outstanding under all Notes other than the Swing Line Note.

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

“Revolving Credit Commitment” means the obligation hereunder, during the Commitment Period, of (a) each Lender to participate in the making of Revolving Loans up to the aggregate amount set forth opposite such Lender’s name under the column headed “Revolving Credit Commitment Amount” as set forth on Schedule 1 hereof (or such other

amount as shall be determined pursuant to Section 2.10 or 10.10 hereof), (b) the LC Issuer to issue Letters or Credit, and of each Lender to participate therein, pursuant to the Letter of Credit Commitment, and (c) Agent to make Swing Loans pursuant to the Swing Line Commitment.

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

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

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

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

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

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

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

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

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

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

“Subsidiary” of Borrower or any of its Subsidiaries means (a) a corporation more than 50% of the Voting Power of which is owned, directly or indirectly, by Borrower or by one or more other subsidiaries of Borrower or by Borrower and one or more subsidiaries of Borrower, (b) a partnership or limited liability company of which Borrower, one or more other subsidiaries of Borrower or Borrower and one or more subsidiaries of Borrower, directly or indirectly, is a

general partner or managing member, as the case may be, or otherwise has the power to direct the policies, management and affairs thereof, or (c) any other Person (other than a corporation) in which Borrower, one or more other subsidiaries of Borrower or Borrower and one or more subsidiaries of Borrower, directly or indirectly, has at least a majority interest in the Voting Power or the power to direct the policies, management and affairs thereof.

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

“Swing Line Commitment” means the commitment of Agent to make Swing Loans to Borrower up to the maximum aggregate amount at any time outstanding of \$25,000,000 in accordance with the terms and conditions of the Swing Line.

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

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

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

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

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

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

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

“Total Commitment Amount” means the principal amount of \$275,000,000 (or its Dollar Equivalent in Alternate Currency), or such lesser or greater amount as shall be determined pursuant to Section 2.10 hereof; *provided, however*, that, for the purposes of determining the Total Commitment Amount, Agent may, in its discretion, calculate the Dollar Equivalent of any Alternate Currency Loan on any Business Day selected by Agent.

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

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

“USA Patriot Act” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT Act) Act of 2001.

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

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

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

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

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

ARTICLE II.

AMOUNT AND TERMS OF CREDIT

Section 2.01 Commitment.

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

of Credit at the request of Borrower, in such aggregate amount as Borrower shall request pursuant to the Commitment up to the Total Commitment Amount.

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

(c) Each borrowing (other than Swing Loans) from the Lenders hereunder shall be made pro rata according to the respective Commitment Percentages.

Section 2.02 Loans and Letters of Credit.

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

(b) Swing Loans.

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

2.02(b) to borrow funds, repay the same in whole or in part and reborrow hereunder at any time and from time to time during the Commitment Period.

(ii) Refunding of Swing Loans. If Agent so elects, by giving notice to Borrower and the Lenders, Borrower agrees that Agent shall have the right at any time (whether before or after the Swing Loan Maturity Date applicable to any Swing Loan), in its sole discretion, to require that any Swing Loan be refinanced as a Revolving Loan. Such Revolving Loan shall be a Base Rate Loan unless and until converted by Borrower to a Eurodollar Loan pursuant to Section 2.03 hereof. Upon receipt of such notice by Borrower, Borrower shall be deemed, on such day, to have requested a Revolving Loan in the principal amount of the Swing Loan in accordance with Section 2.03 hereof. Each Lender agrees to make a Revolving Loan on the date of such notice, subject to no conditions precedent whatsoever. Each Lender acknowledges and agrees that such Lender's obligation to make a Revolving Loan pursuant to Section 2.02(a) when required by this Section 2.02(b) shall be absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, the occurrence and continuance of a Default or Event of Default, and that its payment to Agent, for the account of Agent, of the proceeds of such Revolving Loan shall be made without any offset, abatement, recoupment, counterclaim, withholding or reduction whatsoever and whether or not such Lender's Commitment Percentage shall have been reduced or terminated. Borrower irrevocably authorizes and instructs Agent to apply the proceeds of any borrowing pursuant to this paragraph to repay in full such Swing Loan.

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

Agent has received written notice of the existence of a Default or Event of Default pursuant to Section 9.06 and/or Section 5.14 hereof.

(c) Letters of Credit.

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

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

(iii) Participations. The issuance of each Letter of Credit shall confer upon each Lender the benefits and liabilities of a participation consisting of an undivided pro rata interest in such Letter of Credit to the extent of such Lender's Commitment Percentage. If, for any reason, any Unreimbursed Letter of Credit Obligations exist that were required to be reimbursed or repaid in accordance with subpart (ii) above, then until such Unreimbursed Letter of Credit Obligations have been reimbursed or repaid, Agent shall have the right to request (and at the instruction of the LC Issuer shall request) that each Lender purchase a participation in such Unreimbursed Letter of Credit Obligations, and Agent shall promptly notify each Lender thereof (by facsimile or telephone, confirmed in writing). Upon such notice, but without further action, the LC Issuer hereby

agrees to grant to each Lender, and each Lender hereby agrees to acquire from the LC Issuer, an undivided participation interest in such Unreimbursed Letter of Credit Obligations in an amount equal to such Lender's Commitment Percentage of such Unreimbursed Letter of Credit Obligations. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to Agent, for the account of the LC Issuer, such Lender's ratable share of such Unreimbursed Letter of Credit Obligations (determined in accordance with such Lender's Commitment Percentage). Each Lender acknowledges and agrees that its obligation to acquire participations in Unreimbursed Letter of Credit Obligations pursuant to this Section 2.03(c)(iii) shall be absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, the occurrence and continuance of a Default or an Event of Default, and that each such payment shall be made without any offset, abatement, recoupment, counterclaim, withholding or reduction whatsoever and whether or not such Lender's Revolving Credit Commitment shall have been reduced or terminated. Each Lender shall comply with its obligation under this Section 2.03(c)(iii) by wire transfer of immediately available funds, in the same manner as provided in Section 2.03 hereof with respect to Revolving Loans to be made by such Lender. Notwithstanding the foregoing, no Lender shall be obligated to purchase a participation in any Unreimbursed Letter of Credit Obligations pursuant to this subsection if the Letter of Credit giving rise to such Unreimbursed Letter of Credit Obligations was issued by the LC Issuer after the LC Issuer has received written notice of the existence of a Default or Event of Default from Agent pursuant to Section 9.06 hereof and/or from Borrower pursuant to Section 5.14 hereof.

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

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

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

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

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

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

(a) Notice of Loans and Letters of Credit.

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

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

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

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

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

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

(f) Funding of Loans. Agent shall notify each Lender of the date, amount and initial Interest Period (if applicable) of any Eurodollar Loan or Alternate Currency Loan promptly upon the receipt of such notice, and, in any event, by 2:00 P.M. (Cleveland, Ohio time) on the date such notice is received. On the date such Loan is to be made, each Lender shall provide Agent, not later than 3:00 P.M. (Cleveland, Ohio time), with the amount in federal or other immediately available funds, required of it. If Agent elects to advance the proceeds of such Loan prior to receiving funds from such Lender, Agent shall have the right, upon prior notice to Borrower, to debit any account of Borrower or otherwise receive from Borrower, on demand, such amount, in the event that such Lender fails to reimburse Agent in accordance with this subsection. Agent shall also have the right to receive interest from such Lender at the Federal Funds Effective Rate in the event that such Lender shall fail to provide its portion of the Loan on the date requested and Agent elects to provide such funds.

Section 2.04 Interest.

(a) Revolving Loans.

(i) Base Rate Loans. Borrower shall pay interest on the unpaid principal amount of Revolving Loans that are Base Rate Loans outstanding from time to time from the date thereof until paid at the Derived Base Rate from time to time in effect. Interest on such Base Rate Loans shall be payable, commencing March 31, 2004, and on the last day of each succeeding June, September, December and March thereafter and at the maturity thereof.

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

(b) Swing Loans. Borrower shall pay interest, for the sole benefit of Agent (and any Lender that has purchased a participation in such Swing Loan), on the unpaid principal amount

of each Swing Loan outstanding from time to time from the date thereof until paid at the Derived Swing Loan Rate applicable to such Swing Loan. Interest on each Swing Loan shall be payable on the Swing Loan Maturity Date applicable thereto. Each Swing Loan shall bear interest for a minimum of one day.

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

Section 2.05 Evidence of Indebtedness.

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

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

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

Section 2.06 Payment on Notes, Etc.

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

(b) Payments in Alternate Currency. With respect to any Alternate Currency Loan, all payments (including prepayments) to any Lender of the principal of or interest on such Alternate Currency Loan shall be made in the same Alternate Currency as the original Loan. With respect to any Letter of Credit issued in an Alternate Currency, all Unreimbursed Letter of Credit Obligations with respect to each such Letter of Credit shall be made in the same Alternate Currency in which each such Letter of Credit was issued, unless, in the case of any Unreimbursed Letter of Credit Obligations owing to the LC Issuer, the LC Issuer agrees

otherwise. All such payments, reimbursements and repayments shall be remitted by Borrower to Agent at Agent's main office (or at such other office or account as designated in writing by Agent to Borrower) for the account of the Lenders or the LC Issuer, as the case may be, not later than 1:00 P.M. (Cleveland, Ohio time) on the due date thereof in same day funds. Any payments received by Agent after 1:00 P.M. (Cleveland, Ohio time) shall be deemed to have been made and received on the next following Business Day.

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

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

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

Section 2.07 Payments Net of Taxes; Foreign Lenders.

(a) General Provisions. All payments on account of principal, if any, interest and other fees and amounts payable hereunder shall be made without set-off or counterclaim and, unless otherwise required by law, shall be made free and clear of and without deduction for any Tax, present or future, imposed by any taxing authority in any jurisdiction. If Borrower shall be required to withhold or pay any Tax, it shall make the required withholding and payment in accordance with and within the time allowed by law, and shall nonetheless pay to the appropriate Lender such additional amounts as shall be necessary to cause such Lender actually to receive in full all amounts (after taking account of any further deduction or withholding that is required to be made as a consequence of the payment of such additional amounts) on account of principal and interest or other fees or amounts owing to it hereunder, as if such Tax had not been paid. As soon as practicable after the date that any Tax shall become due and payable, (i) Borrower shall

give to such Lender the original or a copy of a receipt for the payment of the Tax, or, if such receipts are not issued by or received from the taxing authority to which the Tax was paid, a certificate of an officer of Borrower, confirming the date and amount of the payment so made and reasonable details of the calculation of the amount due; and (ii) Borrower shall indemnify and save such Lender harmless from and against any claim, liability, loss, cost, expense (including without limitation legal, accounting and other professional fees, and interest and penalty charges or fines imposed by any taxing authority in respect of or arising from non-payment of such Tax) to which such Lender may be exposed or that it may incur, by reason of Borrower's failure to make punctual payment of any amount required to be paid to a taxing authority pursuant to this subsection (b) hereof.

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

Section 2.08 Prepayment.

(a) Right to Prepay.

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

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

(b) Prepayment Fees.

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

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

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

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

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

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

Section 2.09 Facility, Letter of Credit and Other Fees.

(a) Borrower shall pay to Agent, for the ratable account of the Lenders, as a consideration for the Commitment, a facility fee from the Closing Date to and including the last day of the Commitment Period, computed for each day at a rate per annum equal to (i) the

Applicable Facility Fee Rate in effect for such day, times (ii) the Total Commitment Amount in effect on such day. The facility fee shall be payable in arrears on March 31, 2004 and on the last day of each succeeding June, September, December and March thereafter and on the last day of the Commitment Period.

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

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

Section 2.10 Modification of Commitment.

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

(b) Increase in Commitments.

(i) Once per calendar year (or more frequently as permitted by Agent) Borrower may, by written notice to Agent, request that the Total Commitment Amount be increased by an amount not to exceed \$125,000,000 in the aggregate for all such increases from the Closing Date until the last day of the Commitment Period, *provided* that (A) no Default or Event of Default has occurred and is continuing at the time of such request and on the date of any such increase and (B) Borrower shall have delivered to

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

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

Section 2.11 Computation of Interest and Fees. With the exception of Alternate Currency Loans made in Pounds Sterling, Canadian Dollars or Australian Dollars and Base Rate Loans, interest on Loans, Unreimbursed Letter of Credit Obligations and facility and other fees

and charges hereunder, shall be computed on the basis of a year having 360 days and calculated for the actual number of days elapsed. With respect to Alternate Currency Loans made in Pounds Sterling, Canadian Dollars or Australian Dollars and Base Rate Loans, interest shall be computed on the basis of a year having three 365 days or 366 days, as the case may be, and calculated for the actual number of days elapsed.

Section 2.12 Mandatory Payment.

(a) If, as of any date, the Revolving Credit Exposure shall exceed the Total Commitment Amount, Borrower shall prepay, by no later than the next Business Day, an aggregate principal amount of the Loans sufficient to bring the Revolving Credit Exposure within the Total Commitment Amount; *provided, however*, that, notwithstanding the foregoing, if the Dollar Equivalent of the Alternate Currency Exposure has increased as a result of fluctuations in the exchange rate applicable to the relevant Alternate Currency or Alternate Currencies such that the Revolving Credit Exposure at any time exceeds the Total Commitment Amount or the Letter of Credit Exposure exceeds the Letter of Credit Commitment, then Borrower shall not be obligated to make a prepayment pursuant to this subpart (a) so long as the Revolving Credit Exposure does not exceed an amount equal to 105% of the Total Commitment Amount and the Letter of Credit Exposure does not exceed an amount equal to 105% of the Letter of Credit Commitment.

(b) Not later than the fifth Business Day following the date of the receipt by Borrower and/or any Subsidiary of Borrower of the proceeds from any sale or issuance by Borrower or any Subsidiary of Borrower after the Closing Date of debt or equity securities in an underwritten public offering, Rule 144A offering, or private placement with one or more institutional investors, Borrower shall make a prepayment of Loans in an amount equal to 100% of such proceeds (net of underwriting discounts and commissions, placement agent fees and other customary fees and costs incurred by Borrower or such Subsidiary in connection therewith).

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

Section 2.13 Extension of Commitment. At any time on or after December 31, 2007, Borrower may deliver a Request for Extension, requesting that the Lenders extend the Commitment Period for an additional year. Each such extension shall require the unanimous written consent of all of the Lenders and shall be upon such terms and conditions as may be agreed to by Borrower, Agent, and the Lenders. Borrower shall pay any attorneys' fees or other expenses of Agent in connection with the documentation of any such extension, as well as such other fees as may be agreed upon between Borrower and the Lenders.

ARTICLE III.

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

Section 3.01 Reserves or Deposit Requirements, Etc. If, at any time, any law, treaty or regulation (including, without limitation, Regulation D of the Board of Governors of the Federal Reserve System) or the interpretation thereof by any governmental authority charged with the administration thereof or any central bank or other fiscal, monetary or other authority shall impose (whether or not having the force of law), modify or deem applicable any reserve and/or special deposit requirement (other than reserves included in the Reserve Percentage, the effect of which is reflected in the interest rate(s) of the Fixed Rate Loan(s) in question) against (a) assets held by, or deposits in or for the amount of any Fixed Rate Loan by, any Lender, or (b) assets held by, or deposits in or for the amount of any Letter of Credit issued by, the LC Issuer, and the result of the foregoing is to increase the cost (whether by incurring a cost or adding to a cost) to such Lender or the LC Issuer of making or maintaining hereunder such Fixed Rate Loan or Letter of Credit, as the case may be, or to reduce the amount of principal or interest received by such Lender with respect to such Fixed Rate Loan or the LC Issuer with respect to such Letter of Credit, then, upon demand by such Lender or the LC Issuer, Borrower shall pay to such Lender from time to time on Interest Adjustment Dates with respect to such Fixed Rate Loan or the LC Issuer, as applicable, as additional consideration hereunder, additional amounts sufficient to fully compensate and indemnify such Lender or the LC Issuer, as applicable, for such increased cost or reduced amount, assuming (which assumption such Lender or the LC Issuer need not corroborate) such additional cost or reduced amount was allocable to such Fixed Rate Loan or Letter of Credit. A certificate as to the increased cost or reduced amount as a result of any event mentioned in this Section 3.01, setting forth the calculations therefor, shall be promptly submitted by such Lender or the LC Issuer, as applicable, to Borrower and shall, in the absence of manifest error, be conclusive and binding as to the amount thereof. Notwithstanding any other provision of this Agreement, after any such demand for compensation by any Lender or the LC Issuer, Borrower, upon at least three Business Days' prior written notice to such Lender or the LC Issuer, as applicable, through Agent, may prepay any affected Fixed Rate Loan in full or terminate any affected Letter of Credit or, with respect to Eurodollar Loans, convert such Eurodollar Loan to a Base Rate Loan regardless of the Interest Period thereof. Any such prepayment or conversion shall be subject to the prepayment fees set forth in Section 2.08 hereof. Each Lender or the LC Issuer, as applicable, shall notify Borrower as promptly as practicable (with a copy thereof delivered to Agent) of the existence of any event that will likely require the payment by Borrower of any such additional amount under this Section.

Section 3.02 Tax Law, Etc.

(a) In the event that by reason of any law, regulation or requirement or in the interpretation thereof by an official authority, or the imposition of any requirement of any central bank whether or not having the force of law, any Lender or the LC Issuer shall, with respect to this Agreement or any transaction under this Agreement, be subjected to any tax, levy, impost, charge, fee, duty, deduction or withholding of any kind whatsoever (other than taxes imposed on or measured by the income of any Lender or the LC Issuer, or franchise taxes imposed on such Lender, by any jurisdiction in which such Lender or the LC Issuer is organized or in which such Lender or the LC Issuer is resident or doing business) and if any such measures or any other

similar measure shall result in an increase in the cost to such Lender or the LC Issuer of making or maintaining any Fixed Rate Loan or issuing any Letter of Credit or in a reduction in the amount of principal, interest or facility fee receivable by such Lender in respect thereof, then such Lender or the LC Issuer, as the case may be, shall promptly notify Borrower stating the reasons therefor. Borrower shall thereafter pay to such Lender or the LC Issuer as appropriate, as additional consideration hereunder, such additional amounts as shall fully compensate such Lender or the LC Issuer for such increased cost or reduced amount. Borrower shall pay such amounts within five Business Days upon demand therefor from the LC Issuer or any such Lender that shall have provided to Borrower a certificate as to any such increased cost or reduced amount, setting forth the calculations therefor, which certificate shall, in the absence of manifest error, be conclusive and binding as to the amount thereof. The obligations of Borrower under this Section shall be in addition to any obligations of Borrower pursuant to Section 2.07(a) hereof.

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

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

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

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

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

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

Lender or the LC Issuer to demand compensation for any reduction in return on capital with respect to any period shall not constitute a waiver of such Lender's or the LC Issuer's rights to demand compensation for any reduction in return on capital in such period or in any other period. The protection of this Section shall be available to each Lender and the LC Issuer regardless of any possible contention of the invalidity or inapplicability of the law, regulation or other condition that shall have been imposed.

ARTICLE IV.

REPRESENTATIONS AND WARRANTIES

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

Section 4.01 Corporate Existence; Subsidiaries; Foreign Qualification.

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

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

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

Section 4.02 Corporate Authority. Borrower has the right and power and is duly authorized and empowered to enter into, execute and deliver the Loan Documents to which it is a party and to perform and observe the provisions of the Loan Documents. The Loan Documents to which Borrower is a party have been duly authorized and approved by Borrower's Board of Directors and are the valid and binding obligations of Borrower, enforceable against Borrower in accordance with their respective terms. The execution, delivery and performance of the Loan Documents will not conflict with nor result in any breach in any of the provisions of, or constitute a default under, or result in the creation of any Lien (other than Liens permitted under Section 5.09 hereof) upon any assets or property of Borrower or any Material Subsidiary under the provisions of Borrower's or such Material Subsidiary's Organizational Documents or any agreement.

Section 4.03 Compliance With Laws. Each Company:

(a) holds permits, certificates, licenses, orders, registrations, franchises, authorizations, and other approvals from federal, state, local, and foreign governmental and

regulatory bodies necessary for the conduct of its business and is in compliance with all applicable laws relating thereto, except where the failure to do so would not have or result in a Material Adverse Effect;

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

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

Section 4.04 Litigation and Administrative Proceedings. Except as disclosed on Schedule 4.04 hereto, there are (a) no lawsuits, actions, investigations, or other proceedings pending or threatened against any Company, or in respect of which any Company may have any liability, in any court or before any governmental authority, arbitration board, or other tribunal, (b) no orders, writs, injunctions, judgments, or decrees of any court or government agency or instrumentality to which any Company is a party or by which the property or assets of any Company are bound, and (c) no grievances, disputes, or controversies outstanding with any union or other organization of the employees of any Company, or threats of work stoppage, strike, or pending demands for collective bargaining, which, as to subsections (a) through (c) hereof, would have or would be reasonably expected to have a Material Adverse Effect.

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

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

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

Borrower and each Material Subsidiary is adequate for all years not closed by applicable statutes and for the current fiscal year.

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

Section 4.09 Employee Benefits Plans. No ERISA Event has occurred prior to the Closing Date that is unresolved that individually or in the aggregate has or could reasonably be expected to have a Material Adverse Effect. No other ERISA Event has occurred or is expected to occur with respect to an ERISA Plan that individually or in the aggregate has or could reasonably be expected to have a Material Adverse Effect. All payments that a Controlled Group member is required, under applicable law or under the governing documents, to make as a contribution to or a benefit under each ERISA Plan have been made except for such payments the non-payment of which, individually or in the aggregate, have not had or could not reasonably be expected to have a Material Adverse Effect. All liabilities of each Controlled Group member with respect to each ERISA Plan have been fully funded based upon reasonable and proper actuarial assumptions, have been fully insured, or have been fully reserved for on its financial statements, except to the extent to which any failure to so fund, insure or reserve has not or could not reasonably be expected to have a Material Adverse Effect. No changes have occurred or are expected to occur that would cause an increase in the cost of providing benefits under any ERISA Plan, except to the extent any such increases individually or in the aggregate do not have or could not reasonably be expected to have a Material Adverse Effect. With respect to each ERISA Plan that is intended to be qualified under Code Section 401(a): (a) the ERISA Plan and any associated trust operationally comply with the applicable requirements of Code Section 401(a), (b) the ERISA Plan and any associated trust have been amended to comply with all such requirements as currently in effect, other than those requirements for which a retroactive amendment can be made within the "remedial amendment period" available under Code Section 401(b) (as extended under Treasury Regulations and other Treasury pronouncements upon which taxpayers may rely), (c) the ERISA Plan and any associated trust have received a favorable determination letter from the Internal Revenue Service stating that the ERISA Plan qualifies under Code Section 401(a), that the associated trust qualifies under Code Section 501(a) and, if applicable, that any cash or deferred arrangement under the ERISA Plan qualifies under Code

Section 401(k), unless the ERISA Plan was first adopted at a time for which the above-described “remedial amendment period” has not yet expired, (d) the ERISA Plan currently satisfies the requirements of Code Section 410(b), without regard to any retroactive amendment that may be made within the above-described “remedial amendment period”, and (e) no contribution made to the ERISA Plan is subject to an excise tax under Code Section 4972. With respect to any Pension Plan, the “accumulated benefit obligation” of Controlled Group members with respect to such Pension Plan (as determined in accordance with Statement of Accounting Standards No. 87, “Employers’ Accounting for Pensions”) does not exceed the fair market value of Pension Plan assets by an amount that individually or in the aggregate has or could reasonably be expected to have a Material Adverse Effect.

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

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

Section 4.12 Financial Statements. The audited Consolidated financial statements of Borrower for the fiscal year ended March 31, 2003, and the unaudited interim Consolidated financial statements of Borrower for the fiscal quarter ended December 31, 2003, each as filed with the SEC in connection with Borrower’s Form 10-Q and Form 10-K and each as furnished to Agent and the Lenders have been prepared in accordance with GAAP, and fairly present the financial condition of the Companies as of the date of such financial statements and the results of their operations for the period then ending. Since the dates of such statements, there has been no change in any Company’s accounting procedures.

Section 4.13 No Material Adverse Change. No material adverse change has occurred in the financial condition, operations or prospects of the Companies since the Look-Back Date.

Section 4.14 Regulations. Borrower is not engaged principally or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any “margin stock” (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System of the United States of America). Neither the granting of any Loan (or any conversion thereof) nor the use of the proceeds of any Loan will violate, or be inconsistent with, the provisions of Regulation U or X of such Board of Governors.

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

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

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

Section 4.18 Investment Company; Holding Company. No Company is (a) an “investment company” or a company “controlled” by an “investment company” within the meaning of the Investment Company Act of 1940, as amended, or (b) subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, each as amended, or any foreign, federal, state or local statute or regulation limiting its ability to incur Indebtedness.

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

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

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

ARTICLE V.

COVENANTS

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

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

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

Section 5.03 Financial Statements and Other Information.

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

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

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

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

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

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

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

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

(b) Borrower shall permit the representatives of Agent:

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

(ii) if an Event of Default then exists, at the expense of Borrower, upon reasonable notice to Borrower, to visit and inspect any of the offices or properties of Borrower or any of its Subsidiaries, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accounts (and by this provision Borrower authorizes said accountants to discuss the affairs, finances and accounts of Borrower and its Subsidiaries), all at such times and as often as may be reasonably requested in writing.

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

Section 5.06 ERISA Compliance. Neither Borrower nor any Material Subsidiary shall incur any material accumulated funding deficiency within the meaning of ERISA, or any material liability to the PBGC, established thereunder in connection with any ERISA Plan. Borrower shall furnish to the Lenders (a) as soon as possible and in any event within 30 days after Borrower or any Material Subsidiary knows or has reason to know that any Reportable Event with respect to any ERISA Plan has occurred, a statement of a Financial Officer Borrower or such Material Subsidiary, setting forth details as to such Reportable Event and the action that Borrower or such Material Subsidiary proposes to take with respect thereto, together with a copy of the notice of such Reportable Event given to the PBGC if a copy of such notice is available to Borrower or such Material Subsidiary, and (b) promptly after receipt thereof a copy of any notice Borrower or any such Material Subsidiary, or any member of the Controlled Group may receive from the PBGC or the Internal Revenue Service with respect to any ERISA Plan administered by Borrower or such Material Subsidiary; *provided*, that this latter clause shall not apply to notices of general application promulgated by the PBGC or the Internal Revenue Service, except for ministerial errors or other minor compliance errors. Borrower shall promptly notify the Lenders of any material taxes assessed, proposed to be assessed or that Borrower has reason to believe may be assessed against Borrower or a Material Subsidiary by the Internal Revenue Service with respect to any ERISA Plan. As used in this Section “material” means the measure of a matter of significance that shall be determined as being an amount equal to 5% of the Consolidated Net Worth of Borrower. As soon as practicable, and in any event within 20 days, after Borrower or any Material Subsidiary becomes aware that an ERISA Event has occurred, Borrower or such Material Subsidiary shall provide Agent with notice of such ERISA Event with a certificate by a Financial Officer of Borrower or such Material Subsidiary, as the case may be, setting forth the details of the event and the action Borrower or such Material Subsidiary or another Controlled Group member proposes to take with respect thereto. Borrower shall, at the request of Agent, deliver or cause to be delivered to Agent, true and correct copies of any documents relating to the ERISA Plan of any Company.

Section 5.07 Financial Covenants.

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

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

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

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

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

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

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

(e) Permitted Foreign Subsidiary Loans and Investments;

(f) Indebtedness constituting Permitted Third Party Investments;

(g) Permitted Insurance Subsidiary Loans and Investments;

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

(i) unsecured Indebtedness of any Domestic Company, *provided* that (i) in the case of any Material Indebtedness, the covenants and agreements relating to such Material Indebtedness are, in the reasonable opinion of Agent, not more restrictive than the covenants and agreements set forth in this Agreement, (ii) Borrower shall be in pro forma compliance with Section 5.07 hereof after giving effect to the incurrence of such Indebtedness, and (iii) if any such Indebtedness is to be Subordinated Indebtedness, such Subordinated Indebtedness shall be subject to a subordination agreement or other subordination provisions satisfactory to Agent and the Required Lenders;

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

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

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

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

(b) other statutory or common law Liens incidental to the conduct of its business or the ownership of its property and assets that (i) were not incurred in connection with the

borrowing of money or the obtaining of advances or credit, and (ii) do not in the aggregate materially detract from the value of its property or assets or materially impair the use thereof in the operation of its business;

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

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

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

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

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

(h) Liens set forth on Schedule 5.09 hereto;

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

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

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

(l) in addition to the Liens permitted above, additional Liens on any assets of any Company securing obligations of such Company, so long as (i) such Liens do not secure any Indebtedness, and (ii) the aggregate amount of all obligations secured by all such Liens for all Companies does not exceed \$5,000,000.

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

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

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

- (i) any endorsement of a check or other medium of payment for deposit or collection through normal banking channels or similar transaction in the normal course of business;
- (ii) the holding of Subsidiaries listed on Schedule 4.01 hereto and the creation, acquisition and holding of any new Subsidiary after the Closing Date, so long as such new Subsidiary is created, acquired or held in accordance with the terms and conditions of this Agreement, including, without limitation, Section 5.12, Section 5.13, and Section 5.19 hereof;
- (iii) loans to a Domestic Company from a Domestic Company, or investments in a Domestic Company by a Domestic Company;
- (iv) Permitted Foreign Subsidiary Loans and Investments;
- (v) guarantees of Indebtedness of the Companies incurred or permitted pursuant to this Agreement (including any guaranty of the Indebtedness permitted pursuant to Section 5.08 hereof);
- (vi) any advance or loan to an employee of a Company made in the ordinary course of such Company's business, so long as all such advances and loans from all Companies aggregate not more than the maximum principal sum of \$7,500,000 at any time outstanding;
- (vii) any Permitted Third Party Investment;
- (viii) Permitted Insurance Subsidiary Loans and Investments;
- (ix) the acquisition or holding of any debt or equity securities by any Company in connection with the insolvency of a customer or supplier;
- (x) Indebtedness of the Receivables Subsidiary to a Domestic Company in connection with the Permitted Receivables Facility;
- (xi) guaranties in the ordinary course of business by Borrower and/or any of its Subsidiaries of the obligations (other than Indebtedness) of Borrower and/or any of its Subsidiaries.

Section 5.12 Mergers and Asset Sales. No Company shall merge or consolidate with any other Person or (except as specifically permitted by this Agreement) sell, lease, transfer, or otherwise dispose of any of its property or assets outside the ordinary course of business, except

that if no Default or Event of Default shall then exist or immediately thereafter shall begin to exist:

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

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

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

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

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

(f) in addition to any sale, lease, transfer or other disposition permitted pursuant to subsections (b), (d) and (e) above, any Company (other than the Receivables Subsidiary) may sell (including any sale in connection with any sale-leaseback transaction), lease, transfer or otherwise dispose of any of its assets to any Person, so long as the aggregate book value of all such assets (as determined in accordance with GAAP) sold, leased, transferred or otherwise disposed of by all Companies in any fiscal year of Borrower does not exceed an amount equal to 15% of Consolidated Total Assets based on the financial statements of Borrower for the most recently completed fiscal quarter;

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

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

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

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

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

(c) (i) with respect to any Acquisition where the aggregate Consideration involved is less than an amount equal to 10% of Consolidated Net Worth, based upon Borrower's financial statements for the most recently completed fiscal quarter, Borrower provides to Agent and the Lenders at least 5 Business Days prior to the date such Acquisition is to be consummated (A) a written description of such Acquisition and the Consideration involved therewith, and (B) a certificate of a Financial Officer demonstrating that both prior to and immediately after giving pro forma effect (excluding the value of any assumed operating synergies) to such Acquisition the Leverage Ratio will not exceed 2.75 to 1.00; and (ii) with respect to any Acquisition where (A) the aggregate Consideration involved equals or exceeds an amount equal to 10% of Consolidated Net Worth, based upon Borrower's financial statements for the most recently completed fiscal quarter, or (B) the aggregate Consideration for such Acquisition when combined with all other Acquisitions that shall have occurred during the then current fiscal year equals or exceeds an amount equal to 20% of Consolidated Net Worth, based upon Borrower's financial statements for the most recently completed fiscal quarter, in the case of both (A) and (B), Borrower provides to Agent and the Lenders, as early as possible and, in any event, not fewer than 5 Business Days prior to the date of consummation of such Acquisition, (1) a written description such Acquisition and the Consideration involved therewith, and (2) historical financial statements of such Person and a pro forma financial statement of the Companies accompanied by a certificate of a Financial Officer showing (x) pro forma compliance (excluding the value of any assumed operating synergies) with each of the financial covenants set forth in Section 5.07 hereof, both before and after giving effect to such Acquisition, and (y) that both prior to and immediately after giving pro forma effect (excluding any the value of any assumed operating synergies) to such Acquisition the Leverage Ratio will not exceed 2.75 to 1.00.

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

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

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

Section 5.15 Environmental Compliance. Each Company shall comply in all respects with any and all Environmental Laws including, without limitation, all Environmental Laws in jurisdictions in which any Company owns or operates a facility or site, arranges for disposal or treatment of hazardous substances, solid waste or other wastes, accepts for transport any hazardous substances, solid waste or other wastes or holds any interest in real property or otherwise, except where a failure to so comply would not have a Material Adverse Effect. Borrower shall furnish to the Lenders, promptly after receipt thereof, a copy of any notice any Company may receive from any governmental authority, private Person or otherwise that any material litigation or proceeding pertaining to any environmental, health or safety matter has been filed or is threatened against such Company, any real property in which such Company holds any interest or any past or present operation of such Company. No Company shall allow the release or disposal of hazardous waste, solid waste or other wastes on, under or to any real property in which any Company holds any interest or performs any of its operations, in violation

of any Environmental Law which violation would have a Material Adverse Effect. As used in this Section, “litigation or proceeding” means any demand, claim, notice, suit, suit in equity action, administrative action, investigation or inquiry whether brought by any governmental authority, private Person or otherwise. Borrower shall defend, indemnify and hold Agent and the Lenders harmless against all costs, expenses, claims, damages, penalties and liabilities of every kind or nature whatsoever (including attorneys’ fees) arising out of or resulting from the noncompliance of any Company with any Environmental Law. Such indemnification shall survive any termination of this Agreement.

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

Section 5.17 Use of Proceeds. Borrower’s use of the proceeds of the Loans shall be solely for working capital purposes of Borrower and its Subsidiaries, for Acquisitions permitted pursuant to this Agreement, and as support for a commercial paper program instituted by Borrower as well as for other general corporate purposes of Borrower and its Subsidiaries, including, but not limited to, any repurchase, redemption or other acquisition by Borrower from any Person of any capital stock or other equity interest of Borrower.

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

Section 5.19 Subsidiary Guaranties.

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

(b) A Domestic Subsidiary (other than the Insurance Subsidiary or the Receivables Subsidiary) shall not be required to execute a Guaranty of Payment if (i) it is not a Material Subsidiary, and (ii) the aggregate amount of the total assets (based on the book value of such assets as determined in accordance with GAAP) of all Domestic Subsidiaries (other than the Insurance Subsidiary or Receivables Subsidiary) that are not Guarantors of Payment is less than \$10,000,000. If any Domestic Subsidiary (other than the Insurance Subsidiary or the Receivables Subsidiary) that was not a Material Subsidiary becomes a Material Subsidiary, then Borrower shall promptly cause such Domestic Subsidiary to become a party to the Guaranty of

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

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

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

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

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

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

Section 5.23 Guaranties of Payment; Guaranty Under Material Indebtedness Agreement. Neither Borrower nor any Domestic Subsidiary shall be or become a Guarantor of

any Indebtedness incurred pursuant to any Material Indebtedness Agreement unless such Company is also a Guarantor of Payment under this Agreement prior to or concurrently therewith.

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

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

Section 5.26 Anti-Terrorism Laws. Borrower shall not be subject to or in violation of any law, regulation, or list of any government agency (including, without limitation, the U.S. Office of Foreign Asset Control list, Executive Order No. 13224 or The USA Patriot Act) that prohibits or limits the conduct of business with or the receiving of funds, goods or services to or for the benefit of certain Persons specified therein or that prohibits or limits any Lender from making any advance or extension of credit to Borrower or from otherwise conducting business with Borrower.

ARTICLE VI.

CONDITIONS PRECEDENT; EFFECTIVENESS

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

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

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

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

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

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

Section 6.02 Effectiveness of Agreement. The obligation of the Lenders to participate in the first Credit Event is subject to the satisfaction of the following conditions:

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

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

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

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

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

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

(g) Closing and Legal Fees; Agent Fee Letter. Borrower shall have (i) executed and delivered to Agent, the Agent Fee Letter and paid to Agent, for its sole benefit, the fees set forth therein, (ii) executed and delivered to Agent, for the benefit of the Lenders, the Closing Fee Letter and paid to each of the Lenders the fees set forth therein, and (iii) paid all legal fees and expenses of Agent in connection with the preparation and negotiation of the Loan Documents.

(h) Lien Searches. With respect to the property owned or leased by Borrower and each Guarantor of Payment, Borrower shall have delivered to Agent (i) the results of U.C.C. lien

searches, satisfactory to Agent and the Lenders; (ii) the results of federal and state tax lien and judicial lien searches, satisfactory to Agent and the Lenders; and (iii) U.C.C. termination statements reflecting termination of all financing statements previously filed by any other party having a security interest not permitted pursuant to this Agreement.

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

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

Section 6.04 Release of Pledged Securities. Effective on and as of the Closing Date, Agent and the Lenders hereby release their Lien on all Pledged Securities, as defined in the Pledge Agreements (as defined in the Intercreditor Agreement); provided, however, that the foregoing release of collateral shall in no way hinder or affect the ability of Agent or any Lender from obtaining a Lien on any of the assets of any Company on or after the date hereof. Agent shall, at Borrower's expense, prepare and file all necessary termination statements terminating any Liens filed by Agent in connection with the Original Credit Agreement on behalf of the Original Lenders with respect to the Pledged Securities and Agent shall return to Borrower on the Closing Date all share certificates identified on Schedule 6.04 hereto and transfer documents relating to such Pledged Securities.

Section 6.05 Reference to and Effect on the Original Credit Agreement. On and after the Closing Date hereof, each reference to the "Credit Agreement" in any of the Loan Documents and all other agreements, documents and instruments delivered by Borrower, any of the Lenders, the LC Issuer Agent and any other Person shall mean and be a reference to this Agreement.

ARTICLE VII.

EVENTS OF DEFAULT

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

Section 7.01 Payments. If (a) the interest on any Note or any facility or other fee payable under this Agreement shall not be paid in full when due and payable or within five days

thereafter or (b) the principal of any Note shall not be paid in full punctually when due and payable.

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

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

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

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

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

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

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

Section 7.09 Validity of Loan Documents. (a) Any material provision, in the reasonable opinion of Agent, of any Loan Document shall at any time for any reason cease to be valid and binding and enforceable against Borrower or any Guarantor of Payment; (b) the validity, binding effect or enforceability of any Loan Document against Borrower or any Guarantor of Payment shall be contested by any Company; (c) Borrower or any Guarantor of Payment shall deny that it has any or further liability or obligation thereunder; or (d) any Loan

Document shall be terminated, invalidated or set aside, or be declared ineffective or inoperative or in any way cease to give or provide to Agent and the Lenders the benefits purported to be created thereby.

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

ARTICLE VIII.

REMEDIES UPON DEFAULT

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

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

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

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

(a) all of the Commitment and the credits hereby established shall automatically and immediately terminate, if not previously terminated, no Lender thereafter shall be obligated to

grant any Loan, Agent shall not be obligated to make any Swing Loan, and the LC Issuer shall not be obligated to issue any Letter of Credit hereunder, and

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

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

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

Section 8.05 Equalization Provision. Each Lender agrees with the other Lenders that if it, at any time, shall obtain any Advantage over the other Lenders or any thereof in respect of the Debt (except as to Swing Loans and except under Article III hereof), it shall purchase from the other Lenders, for cash and at par, such additional participation in the Debt as shall be necessary to nullify the Advantage. If any such Advantage resulting in the purchase of an additional participation as aforesaid shall be recovered in whole or in part from the Lender receiving the Advantage, each such purchase shall be rescinded, and the purchase price restored (but without interest unless the Lender receiving the Advantage is required to pay interest on the Advantage to the Person recovering the Advantage from such Lender) ratably to the extent of the recovery. Each Lender further agrees with the other Lenders that if it at any time shall receive any payment for or on behalf of Borrower on any indebtedness owing by Borrower to that Lender by reason of offset of any deposit or other indebtedness, it will apply such payment first to any and all Debt owing by Borrower to that Lender (including, without limitation, any participation purchased or to be purchased pursuant to this Section or any other Section of this Agreement). Borrower agrees that any Lender so purchasing a participation from the other Lenders or any thereof pursuant to this Section may exercise all its rights of payment (including

the right of set-off) with respect to such participation as fully as if such Lender was a direct creditor of Borrower in the amount of such participation.

ARTICLE IX.

THE AGENT

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

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

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

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

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

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

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

Section 9.07 Action by Agent. Subject to the other terms and conditions hereof, so long as Agent shall be entitled, pursuant to Section 9.06 hereof, to assume that no Default or Event of Default shall have occurred and be continuing, Agent shall be entitled to use its discretion with respect to exercising or refraining from exercising any rights that may be vested

in it by, or with respect to taking or refraining from taking any action or actions that it may be able to take under or in respect of, this Agreement. Agent shall incur no liability under or in respect of this Agreement by acting upon any notice, certificate, warranty or other paper or instrument believed by it to be genuine or authentic or to be signed by the proper party or parties, or with respect to anything that it may do or refrain from doing in the reasonable exercise of its judgment, or that may seem to it to be necessary or desirable in the premises.

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

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

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

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

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

Section 9.13 USA Patriot Act. Each Lender or assignee or participant of a Lender that is not organized under the laws of the United States of America or a state thereof (and is not excepted from the certification requirement contained in Section 313 of the USA Patriot Act and the applicable regulations because it is both (a) an affiliate of a depository institution or foreign bank that maintains a physical presence in the United States or foreign country, and (b) subject to supervision by a banking authority regulating such affiliated depository institution or foreign bank) shall deliver to Agent the certification, or, if applicable, recertification, certifying that such Lender is not a "shell" and certifying to other matters as required by Section 313 of the USA Patriot Act and the applicable regulations: (i) within 10 days after the Closing Date and (ii) at such other times as are required under the USA Patriot Act.

ARTICLE X.

MISCELLANEOUS

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

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

Section 10.03 Amendments, Consents. No amendment, modification, termination, or waiver of any provision of any Loan Document nor consent to any variance therefrom (except with respect to Exhibit I attached hereto), shall be effective unless the same shall be in writing and signed by the Required Lenders and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. Exhibit I hereto may be amended, supplemented, replaced or otherwise modified from time to time at the written request of Borrower and upon the written consent of Agent and the LC Issuer, which amendment, supplement or other modification to or replacement of Exhibit I hereto shall be in form and substance reasonably satisfactory to Agent and the LC Issuer. Anything herein to the contrary notwithstanding, unanimous consent of the Lenders affected thereby shall be required with respect to (a) any increase in the Commitment hereunder except as permitted by Section 2.10(b) of this Agreement, (b) the extension of maturity of the Notes, the payment date of interest or principal thereunder, or the payment of facility or other fees or amounts payable hereunder, (c) any reduction in the rate of interest on the Notes, or in any amount of principal or interest due on any Note, or the payment of facility or other fees hereunder or any change in the manner of pro rata application of any payments made by Borrower to the Lenders hereunder, (d) any change in any percentage voting requirement, voting rights, or the Required Lenders definition in this Agreement, (e) the release of any Guarantor of Payment, except in accordance with Section 5.19 hereof or for the release of any Guarantor of Payment in connection with a transaction expressly permitted pursuant to this Agreement, or (f) any amendment to this Section 10.03 or Section 8.05 hereof. Notice of amendments or consents ratified by the Lenders hereunder and any amendment, supplement or other modification to or replacement of Exhibit I hereto shall immediately be forwarded by Borrower to all Lenders. Each Lender or other holder of a Note shall be bound by any amendment, waiver or consent obtained as authorized by this Section, regardless of its failure to agree thereto.

Section 10.04 Notices. All notices, requests, demands and other communications provided for hereunder shall be in writing addressed to each party at the address specified on the signature pages of this Agreement, or, as to each party, at such other address as shall be designated by such party in a written notice to each of the other parties. All notices, statements, requests, demands and other communications provided for hereunder shall be deemed delivered (a) upon receipt when delivered in person, (b) upon receipt of electronic confirmation of error free transmission when sent by facsimile or other electronic means, (c) upon receipt when sent by nationally (or internationally, as the case may be) recognized overnight delivery service, or (d) 48 hours after being deposited in the mail when sent by first class mail, registered mail, or certified mail.

Section 10.05 Costs, Expenses and Taxes. Borrower agrees to pay on demand all costs and expenses of Agent, including, but not limited to, (a) reasonable syndication, administration, travel and out-of-pocket expenses, including, but not limited to, reasonable attorneys' fees and expenses, of Agent in connection with the preparation, negotiation and closing of the Loan Documents and the administration of the Loan Documents, the collection and disbursement of all funds hereunder and the other instruments and documents to be delivered hereunder, (b) reasonable extraordinary expenses of Agent in connection with the administration of the Loan Documents and the other instruments and documents to be delivered hereunder, and (c) reasonable fees and out-of-pocket expenses of special counsel for Agent, with respect to the foregoing, and of local counsel, if any, who may be retained by said special counsel with respect thereto. Borrower also agrees to pay on demand all costs and expenses of Agent and the

Lenders, including reasonable attorneys' fees, in connection with the restructuring or enforcement of the Debt, this Agreement or any Related Writing. In addition, Borrower shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution and delivery of the Loan Documents, and the other instruments and documents to be delivered hereunder, and agrees to hold Agent and each Lender harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes or fees.

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

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

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

Section 10.09 Binding Effect; Borrower's Assignment. This Agreement shall become effective when it shall have been executed by Borrower, Agent and by each Lender and thereafter shall be binding upon and inure to the benefit of Borrower, Agent and each of the Lenders and their respective successors and assigns, except that Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of Agent and all of the Lenders.

Section 10.10 Assignments.

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

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

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

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

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

(f) If an assignment made pursuant to this Section 10.10 is to be made to an assignee that is organized under the laws of any jurisdiction other than the United States or any state thereof, the assignor Lender shall cause such assignee, at least five Business Days prior to the effective date of such assignment, (i) to represent to the assignor Lender (for the benefit of the assignor Lender, Agent and Borrower) that under applicable law and treaties no taxes will be required to be withheld by Agent, Borrower or the assignor with respect to any payments to be made to such assignee in respect of the Loans hereunder, (ii) to furnish to the assignor (and, in the case of any assignee registered in the Register (as defined below), Agent and Borrower) either (A) U.S. Internal Revenue Service Form W-8ECI or U.S. Internal Revenue Service Form W-8BEN or (B) United States Internal Revenue Service Form W-8 or W-9, as applicable

(wherein such assignee claims entitlement to complete exemption from U.S. federal withholding tax on all interest payments hereunder), and (iii) to agree (for the benefit of the assignor, Agent and Borrower) to provide the assignor Lender (and, in the case of any assignee registered in the Register, Agent and Borrower) a new Form W-8ECI or Form W-8BEN or Form W-8 or W-9, as applicable, upon the expiration or obsolescence of any previously delivered form and comparable statements in accordance with applicable U.S. laws and regulations and amendments duly executed and completed by such assignee, and to comply from time to time with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

(g) Upon satisfaction of all applicable requirements specified in subparts (a) through (f) above, Borrower shall execute and deliver (i) to Agent, the assignor and the assignee, any consent or release (of all or a portion of the obligations of the assignor) required to be delivered by Borrower in connection with the Assignment Agreement, and (ii) to the assignee or the assignor (if applicable), an appropriate Note or Notes. After delivery of the new Note or Notes, the assignor's Note or Notes being replaced shall be returned to Borrower marked "replaced".

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

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

Section 10.11 Participations.

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

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

(c) If any Lender shall sell any participation or sub-participation pursuant to this Section 10.11, such Lender shall, as between itself and the purchaser, retain all of its rights (including, without limitation, rights to enforce against Borrower the Loan Documents and the Related Writings) and duties pursuant to the Loan Documents and the Related Writings, including, without limitation, such Lender's right to approve any waiver, consent or amendment pursuant to Section 10.03, except if and to the extent that any such waiver, consent or amendment would:

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

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

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

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

the amount of Dollars that could have been purchased with the Judgment Amount on the Original Due Date, Agent or such Lender agrees to remit such excess to Borrower.

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

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

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

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

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

“employee benefit plan” and “separate account” shall have the respective meanings assigned to such terms in Section 3 of ERISA.

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

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

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

Address: 5960 Heisley Road
Mentor, Ohio 44060
Attn: Chief Financial Officer

STERIS CORPORATION

By: _____
Name: _____
Title: _____

and
Name: _____
Title: _____

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

KEYBANK NATIONAL ASSOCIATION, as Agent, Joint Lead
Arranger, Book Runner and as a Lender
By: _____
Name: _____
Title: _____

Address: _____

Attn: _____

LASALLE BANK NATIONAL
ASSOCIATION, as Joint Lead Arranger,
Syndication Agent, the LC Issuer and as a
Lender
By: _____
Name: _____
Title: _____

Address: _____

Attn: _____

BANK ONE, NA, as Co-Documentation
Agent and as a Lender
By: _____
Name: _____
Title: _____

Address: _____

Attn: _____

HARRIS TRUST AND SAVINGS BANK,
as Co-Documentation Agent and as a
Lender

By: _____
Name: _____
Title: _____

Address: _____

Attn: _____

PNC BANK, NATIONAL ASSOCIATION,
as Co-Documentation Agent and as a
Lender

By: _____
Name: _____
Title: _____

Address: _____

Attn: _____

NATIONAL CITY BANK, as Managing
Agent and as a Lender

By: _____
Name: _____
Title: _____

Address: _____

Attn: _____

THE BANK OF NEW YORK, as Managing
Agent and as a Lender

By: _____
Name: _____
Title: _____

Address: _____

Attn: _____

US BANK NATIONAL ASSOCIATION,
as a Lender

By: _____
Name: _____
Title: _____

SCHEDULE 1

Lenders and Commitments

<u>Lending Institutions</u>	<u>Revolving Credit Commitment Amount</u>
KeyBank National Association	\$ 45,000,000
LaSalle Bank National Association	45,000,000
Bank One, NA	35,000,000
Harris Trust and Savings Bank	35,000,000
PNC Bank, National Association	35,000,000
National City Bank	27,500,000
The Bank of New York	27,500,000
US Bank National Association	25,000,000
Total Commitment Amount	\$ 275,000,000

EXHIBIT A

REVOLVING CREDIT NOTE

Cleveland, Ohio
March 29, 2004

\$ _____

FOR VALUE RECEIVED, the undersigned, STERIS CORPORATION, an Ohio corporation ("Borrower") promises to pay on the last day of the Commitment Period (such term, together with each other capitalized term used herein and not defined herein shall have the meanings ascribed to them in the Credit Agreement described below), to the order of _____ ("Lender") at the Main Office of KEYBANK NATIONAL ASSOCIATION, as Agent, 127 Public Square, Cleveland, Ohio 44114-1306 the principal sum of

..... AND 00/100 DOLLARS

or the aggregate unpaid principal amount of all Revolving Loans made by Lender to Borrower pursuant to Section 2.02 of the Credit Agreement, whichever is less (or, in the event of currency fluctuations on Alternate Currency Loans, such greater amount as may be outstanding), in lawful money of the United States of America, *provided*, that Alternate Currency Loans shall be payable in the applicable Alternate Currency. In addition, Borrower shall pay any additional amount that is required to be paid pursuant to Section 10.13 of the Credit Agreement. As used herein, "Credit Agreement" means the Amended and Restated Credit Agreement dated as of March 29, 2004, among Borrower, the lending institutions named therein and KeyBank National Association, as Agent, as the same may from time to time be amended, restated or otherwise modified.

Borrower also promises to pay interest on the unpaid principal amount of each Revolving Loan from time to time outstanding, from the date of such Revolving Loan until the payment in full thereof, at the rates per annum that shall be determined in accordance with the provisions of Section 2.04 of the Credit Agreement. Such interest shall be payable on each date provided for in such Section 2.04; *provided, however*, that interest on any principal portion that is not paid when due shall be payable on demand.

The portions of the principal sum hereof from time to time representing Base Rate Loans and Fixed Rate Loans, and payments of principal of any thereof, shall be shown on the records of Lender by such method as Lender may generally employ; *provided, however*, that failure to make any such entry shall in no way detract from Borrower's obligations under this Note.

If this Note shall not be paid at maturity, whether such maturity occurs by reason of lapse of time or by operation of any provision for acceleration of maturity contained in the Credit Agreement, the principal hereof and the unpaid interest thereon shall bear interest, until paid, at a rate per annum equal to the Default Rate. All payments of principal of and interest on this Note shall be made in immediately available funds.

This Note is one of the Revolving Credit Notes referred to in the Credit Agreement. Reference is made to the Credit Agreement for a description of the right of the undersigned to

anticipate payments hereof, the right of the holder hereof to declare this Note due prior to its stated maturity, and other terms and conditions upon which this Note is issued.

Except as expressly provided in the Credit Agreement, Borrower expressly waives presentment, demand, protest and notice of any kind.

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

STERIS CORPORATION

By: _____
Name: _____
Title: _____

EXHIBIT B

SWING LINE NOTE

\$25,000,000.00

Cleveland, Ohio
March 29, 2004

FOR VALUE RECEIVED, the undersigned, STERIS CORPORATION, an Ohio corporation ("Borrower"), promises to pay to the order of KEYBANK NATIONAL ASSOCIATION ("Lender") at the Main Office of KEYBANK NATIONAL ASSOCIATION, Agent, 127 Public Square, Cleveland, Ohio 44114-1306 the principal sum of

TWENTY-FIVE MILLION AND 00/100 DOLLARS

or, if less, the aggregate unpaid principal amount of all Swing Loans (such term, together with each other capitalized term used herein and not defined herein shall have the meanings ascribed to them in the Credit Agreement described below) made by Lender to Borrower pursuant to Section 2.02 of the Credit Agreement, in lawful money of the United States of America on the earlier of the last day of the Commitment Period or, with respect to each Swing Loan, the Swing Loan Maturity Date applicable thereto. As used herein, "Credit Agreement" means the Amended and Restated Credit Agreement dated as of March 29, 2004, among Borrower, the lending institutions named therein and KeyBank National Association, as Agent, as the same may from time to time be amended, restated or otherwise modified.

Borrower also promises to pay interest on the unpaid principal amount of each Swing Loan from time to time outstanding, from the date of such Swing Loan until the payment in full thereof, at the rates per annum which shall be determined in accordance with the provisions of Section 2.04 of the Credit Agreement. Such interest shall be payable on each date provided for in Section 2.04; *provided, however*, that interest on any principal portion which is not paid when due shall be payable on demand.

The principal sum hereof from time to time and the payments of principal and interest thereon of either hereof, shall be shown on the records of Lender by such method as Lender may generally employ; *provided, however*, that failure to make any such entry shall in no way detract from Borrower's obligations under this Note.

If this Note shall not be paid at maturity, whether such maturity occurs by reason of lapse of time or by operation of any provision for acceleration of maturity contained in the Credit Agreement, the principal hereof and the unpaid interest thereon shall bear interest, until paid, at a rate per annum equal to the Default Rate. All payments of principal of and interest on this Note shall be made in immediately available funds.

This Note is the Swing Line Note referred to in the Credit Agreement. Reference is made to the Credit Agreement for a description of the right of the undersigned to anticipate payments hereof, the right of the holder hereof to declare this Note due prior to its stated maturity, and other terms and conditions upon which this Note is issued.

Except as expressly provided in the Credit Agreement, Borrower expressly waives presentment, demand, protest and notice of any kind.

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

STERIS CORPORATION

By: _____
Name: _____
Title: _____

Exhibit B - 2

NOTICE OF LOAN

[Date] _____, 20__

KeyBank National Association, as Agent
127 Public Square
Cleveland, Ohio 44114-0616
Attention: _____

Ladies and Gentlemen:

The undersigned, STERIS CORPORATION, an Ohio corporation, refers to the Amended and Restated Credit Agreement, dated as of March 29, 2004 (“Credit Agreement”, the terms defined therein being used herein as therein defined), among the undersigned, the Lenders, as defined in the Credit Agreement, and KeyBank National Association, as Agent, and hereby gives you notice, pursuant to Section 2.03 of the Credit Agreement that the undersigned hereby requests a Loan under the Credit Agreement, and in connection therewith sets forth below the information relating to the Loan (the “Proposed Loan”) as required by Section 2.03 of the Credit Agreement:

- (a) The Business Day of the Proposed Loan is _____, 20__.
- (b) The amount of the Proposed Loan is \$_____.
- (c) The Proposed Loan is to be a Base Rate Loan _____/Eurodollar Loan _____/Alternate Currency Loan _____/Swing Loan _____. (Check one.)
- (d) If the Proposed Loan is an Alternate Currency Loan, the Alternate Currency requested is _____.
- (e) If the Proposed Loan is a Fixed Rate Loan, the Interest Period requested is one month _____, two months _____, three months _____, six months _____. (Check one.)

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Loan:

- (i) the representations and warranties contained in each Loan Document are correct, before and after giving effect to the Proposed Loan and the application of the proceeds therefrom, as though made on and as of such date;
- (ii) no event has occurred and is continuing, or would result from such Proposed Loan, or the application of proceeds therefrom, that constitutes a Default or Event of Default; and

(iii) the conditions set forth in Section 2.03 and Article VI of the Credit Agreement have been satisfied.

Very truly yours,

STERIS CORPORATION

By: _____
Name: _____
Title: _____

Exhibit C-1 - 2

EXHIBIT C-2

LETTER OF CREDIT REQUEST

Dated _____, 200__

KeyBank National Association, as Agent
127 Public Square
Cleveland, Ohio 44114-0616
Attention: _____

LaSalle Bank National Association, as LC Issuer
1300 East Ninth Street, Suite 1000
Cleveland, Ohio 44114
Attention: _____

Ladies and Gentlemen:

The undersigned, STERIS CORPORATION, an Ohio corporation ("Borrower"), refers to the Amended and Restated Credit Agreement, dated as of March 29, 2004 (the "Credit Agreement", the terms defined therein being used herein as therein defined), among Borrower, the Lenders, as defined in the Credit Agreement, KEYBANK NATIONAL ASSOCIATION, as Agent, LASALLE BANK NATIONAL ASSOCIATION, as LC Issuer, and the other agents named therein.

Pursuant to Section 2.03(ii) of the Credit Agreement, Borrower hereby requests that the LC Issuer issue a Letter of Credit on _____, 200__ (the "Date of Issuance"), with a face amount of \$_____, for the account of _____.

The beneficiary of the requested Letter of Credit will be _____, and such Letter of Credit will be in support of _____ and will have a stated expiration date of _____.

Borrower hereby certifies that the following statements are true on the date hereof, and will be true on the Date of Issuance:

(A) no Default or Event of Default exists nor will exist immediately after the issuance of the requested Letter of Credit; and

(B) each of the representations and warranties contained in Article IV of the Credit Agreement are true and correct, except to the extent that any thereof expressly relate to an earlier date.

Copies of all documentation with respect to the supported transaction are attached hereto.

Very truly yours,

STERIS CORPORATION

By: _____
Name: _____
Title: _____

Exhibit C-2 - 2

EXHIBIT D

COMPLIANCE CERTIFICATE

For Fiscal Quarter ended _____

THE UNDERSIGNED HEREBY CERTIFY THAT:

(1) I am a duly elected Financial Officer of STERIS CORPORATION, an Ohio corporation ("Borrower");

(2) I am familiar with the terms of that certain Amended and Restated Credit Agreement, dated as of March 29, 2004, among the undersigned, the Lenders, as defined in the Credit Agreement, and KeyBank National Association, as Agent (as the same may from time to time be amended, restated or otherwise modified, the "Credit Agreement", the terms defined therein being used herein as therein defined), and the terms of the other Loan Documents, and I have made, or have caused to be made under my supervision, a review in reasonable detail of the transactions and condition of Borrower and its Subsidiaries during the accounting period covered by the attached financial statements;

(3) The review described in paragraph (2) above did not disclose, and I have no knowledge of, the existence of any condition or event that constitutes or constituted a Default or Event of Default, at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate;

(4) Borrower hereby represents that the representations and warranties made by Borrower contained in each Loan Document are true and correct as though made on and as of the date hereof; and

(5) Set forth on Attachment I hereto are calculations of the covenants set forth in Section 5.07 of the Credit Agreement, which calculations show compliance with the terms thereof.

(6) As of the end of the fiscal quarter referenced above, the aggregate amount of Permitted Foreign Subsidiary Loans and Investments is \$_____.

IN WITNESS WHEREOF, I have signed this certificate the _____ day of _____, 20__.

STERIS CORPORATION

By: _____
Name: _____
Title: _____

EXHIBIT E

AMENDED AND RESTATED
GUARANTY OF PAYMENT

(See attached)

Exhibit E - 1

AMENDED AND RESTATED GUARANTY OF PAYMENT

This AMENDED AND RESTATED GUARANTY OF PAYMENT (as the same may from time to time be amended, restated, supplemented or otherwise modified, this "Guaranty") is entered into as of March 29, 2004 by each of the undersigned and any other Person, as defined in the Credit Agreement, as hereinafter defined, that becomes a party hereto by joined supplement or otherwise after the date hereof (collectively, "Guarantors" and, individually, "Guarantor"), in favor of KEYBANK NATIONAL ASSOCIATION, as administrative agent ("Agent"), for the benefit of the Lenders, as hereinafter defined.

Recitals:

- A. STERIS CORPORATION, an Ohio corporation (together with its successors and assigns, "Borrower"), is entering into the Amended and Restated Credit Agreement, dated as of the date hereof (as the same may from time to time be amended, restated or otherwise modified, the "Credit Agreement"; except as specifically defined herein, capitalized terms used herein that are defined in the Credit Agreement have the respective meanings ascribed to such terms in the Credit Agreement), by and among Borrower, Agent and the lending institutions from time to time parties thereto (together with their respective successors and assigns, collectively, "Lenders" and, individually, "Lender").
- B. Each Guarantor is a subsidiary of Borrower whose financing is provided by the Loans, as hereinafter defined, and each Guarantor deems it to be in its direct pecuniary and business interests that Borrower obtain from the Lenders the Commitment and the Loans provided for in the Credit Agreement.
- C. Each Guarantor understands that the Lenders are willing to enter into the Credit Agreement with Borrower only upon certain terms and conditions, one of which is that the Guarantors guarantee the payment of the Debt and this Guaranty is being executed and delivered in consideration of Agent and the Lenders entering into the Credit Agreement and for other valuable considerations.

Agreement:

In consideration of the premises and the covenants hereinafter contained, each of the Guarantors agrees as follows:

Section 1. Guaranty of Debt. Each Guarantor, jointly and severally, hereby absolutely and unconditionally guarantees the prompt payment in full of all of the Debt, whether now existing or hereafter arising, as and when the respective parts thereof become due and payable (whether at the stated maturity, by acceleration or otherwise). If the Debt, or any part thereof, is not paid in full when due and payable (whether at the stated maturity, by acceleration or otherwise), Agent, on behalf of the Lenders, in each case, has the right to proceed directly against any Guarantor under this Guaranty to collect the payment in full of the Debt, regardless of whether or not Agent, on behalf of the Lenders, has theretofore proceeded or is proceeding against Borrower or any other Obligor. Agent and the Required Lenders, in their sole discretion, may proceed against any Obligor, and may exercise each right, power or privilege that Agent or the Lenders may then have, either simultaneously or separately, and, in any event, at such time or times and as often and in such order as Agent and the Required Lenders, in their sole discretion, may from time to time deem expedient to collect the payment in full of the Debt.

Section 2. Payments Conditional. Whenever Agent or any Lender credits any payment to the Debt or any part thereof, whatever the source or form of payment, the credit shall be conditional as to each Guarantor unless and until the payment is final and valid as to all the world. Without limiting the generality of the foregoing, each Guarantor agrees that if any check or other instrument so applied is dishonored by the drawer or any party thereto, each Lender, in each case, may reverse any entry relating thereto on its books and such Guarantor shall remain liable therefor, even if such Lender may no longer have in its possession any evidence of the Debt to which the payment in question was applied.

Section 3. Guarantors' Obligations Absolute and Unconditional. Regardless of the duration of time, regardless of whether Borrower may from time to time cease to be indebted to the Lenders and

irrespective of any act, omission or course of dealing whatever on the part of Agent or any Lender, each Guarantor's liabilities and other obligations under this Guaranty shall remain in full effect until the payment in full of the Debt. Without limiting the generality of the foregoing:

(a) no Lender shall at any time be under any duty to any Guarantor to grant any financial accommodation to Borrower, irrespective of any duty or commitment of any of the Lenders to Borrower, or to follow or direct the application of the proceeds of any such financial accommodation;

(b) each Guarantor waives (i) notice of the granting of any Loan to Borrower or the incurring of any other indebtedness by Borrower or the terms and conditions thereof, (ii) presentment, demand for payment and notice of dishonor of the Debt or any part thereof, or any other indebtedness incurred by Borrower to any of the Lenders, (iii) notice of any indulgence granted to any Obligor, and (iv) any other notice to which such Guarantor might, but for this waiver, be entitled;

(c) Agent and the Lenders, in their sole discretion, may, without any prejudice to their rights under this Guaranty, at any time or times, without notice to or the consent of any Guarantor, (i) grant Borrower whatever financial accommodations that Agent and the Lenders may from time to time deem advisable, even if Borrower might be in default in any respect and even if those financial accommodations might not constitute indebtedness the payment of which is guaranteed hereunder, (ii) assent to any renewal, extension, consolidation or refinancing of the Debt, or any part thereof, (iii) forbear from demanding security, if Agent and the Lenders have the right to do so, (iv) release any Obligor, irrespective of the consideration, if any, received therefor, (v) grant any waiver or consent or forbear from exercising any right, power or privilege that Agent and the Lenders may have or acquire, (vi) assent to any amendment, deletion, addition, supplement or other modification in, to or of any writing evidencing or securing any Debt or pursuant to which any Debt is created, (vii) grant any other indulgence to any Obligor, (viii) accept any other Obligor upon the Debt or any part thereof, and (ix) fail, neglect or omit in any way to realize upon any Collateral or to protect the Debt or any part thereof;

(d) each Guarantor's liabilities and other obligations under this Guaranty shall survive any dissolution of such Guarantor; and

(e) each Guarantor's liabilities and other obligations under this Guaranty are absolute and unconditional irrespective of any lack of validity or enforceability of the Credit Agreement, the Notes, any Loan Document or any other agreement, instrument or document evidencing the Loans or related thereto, or any other defense available to such Guarantor in respect of this Guaranty.

Section 4. Representations and Warranties. Each Guarantor represents and warrants to Agent and each of the Lenders that (a) such Guarantor is a duly organized or formed and validly existing entity, in good standing or full force and effect under the laws of the state of its incorporation or formation, and is qualified to do business in each state where a failure to so qualify would have a Material Adverse Effect; (b) such Guarantor has legal power and right to execute and deliver this Guaranty and to perform and observe the provisions hereof; (c) the officer(s) executing and delivering this Guaranty on behalf of such Guarantor have been duly authorized to do so, and this Guaranty, when executed, is legal and binding upon such Guarantor in every respect; (d) except for matters described or referenced in the Credit Agreement or any schedule thereto, no litigation or proceeding is pending or threatened against such Guarantor before any court or any administrative agency that, in such Guarantor's opinion, after consultation with such Guarantor's counsel, is reasonably expected to have a material adverse effect on such Guarantor; (e) such Guarantor has received consideration that is the reasonable equivalent value of the obligations and liabilities that such Guarantor has incurred to Agent and the Lenders; (f) such Guarantor is not insolvent, as defined in any applicable state or federal statute, nor will such Guarantor be rendered insolvent by the execution and delivery of this Guaranty to Agent and the Lenders; (g) such Guarantor is not engaged or about to engage in

any business or transaction for which the assets retained by such Guarantor are or will be an unreasonably small amount of capital, taking into consideration the obligations to the Lenders incurred hereunder; and (h) such Guarantor does not intend to, nor does such Guarantor believe that it will, incur debts beyond its ability to pay such debts as they mature.

Section 5. Incorporation of Credit Agreement. Each Guarantor agrees that all representations, warranties, and covenants contained in the Credit Agreement that are applicable to such Guarantor as a Company and/or as a Material Subsidiary thereunder are specifically incorporated herein as if such statements were made by such Guarantor herein. In addition, the LC Terms and Conditions are incorporated herein by reference. For the avoidance of doubt, if a Letter of Credit is requested under the Credit Agreement for the account of a Guarantor, such Guarantor agrees that it will be bound by the LC Terms and Conditions with respect to the Letter of Credit requested to be issued for its account.

Section 6. Subordination.

(a) Any Indebtedness of Borrower now or hereafter held by any Guarantor is hereby subordinated to the Indebtedness of Borrower to Agent and the Lenders; and such Indebtedness of Borrower to any Guarantor, if Agent, after an Event of Default has occurred so requests, shall be collected, enforced and received by such Guarantor as trustee for Agent and the Lenders and be paid over to Agent, for the benefit of Agent and the Lenders, on account of the Indebtedness of Borrower to Agent and the Lenders, but without affecting or impairing in any manner the liability of such Guarantor under the other provisions of this Guaranty. Prior to the transfer by any Guarantor of any note or negotiable instrument evidencing any Indebtedness of Borrower to such Guarantor, such Guarantor shall mark such note or negotiable instrument with a legend that the same is subject to this subordination.

(b) If and to the extent that any Guarantor makes any payment to Agent or any Lender or to any other person pursuant to or in respect of this Guaranty, any reimbursement, indemnification, contribution or similar claim that such Guarantor may have against Borrower or any other Guarantor by reason thereof shall be subject and subordinate to the prior termination of the Commitment and indefeasible payment in full of all Debt owed to Agent and the Lenders.

Section 7. Subrogation Rights. Until such time as the Debt has been paid in full in cash and otherwise fully performed and the Commitment under the Credit Agreement has been terminated, each Guarantor hereby irrevocably waives all rights of subrogation that it may at any time otherwise have as a result of this Guaranty (whether contractual, under section 509 of the Bankruptcy Code, or otherwise) to the claims of Agent and/or the Lenders against Borrower, any other Guarantor or any other guarantor of or surety for the Debt.

Section 8. Notice. All notices, requests, demands and other communications provided for hereunder shall be in writing and, if to a Guarantor, addressed to it at 5960 Heisley Road, Mentor, Ohio 44060, Attention: Chief Financial Officer, with a copy to the attention of General Counsel of Borrower, and, if to Agent or a Lender, addressed to the address of Agent or such Lender specified on the signature pages of the Credit Agreement. All notices, statements, requests, demands and other communications provided for hereunder shall be deemed delivered (a) upon receipt when delivered in person, (b) upon receipt of electronic confirmation of error free transmission when sent by facsimile or other electronic means, (c) upon receipt when sent by nationally (or internationally, as the case may be) recognized overnight delivery service, or (d) 48 hours after being deposited in the mail when sent by first class mail, registered mail, or certified mail.

Section 9. Miscellaneous. This Guaranty binds each Guarantor and its successors and assigns and inures to the benefit of Agent and each Lender and their respective successors and assigns, including,

without limitation, each holder of any Note evidencing any Debt. If, at any time, one or more provisions of this Guaranty is or becomes invalid, illegal or unenforceable in whole or in part, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby. This Guaranty constitutes a final written expression of all of the terms of this Guaranty, is a complete and exclusive statement of those terms and supersedes all oral representations, negotiations and prior writings, if any, with respect to the subject matter hereof. The relationship between (a) the Guarantors and (b) Agent and the Lenders with respect to this Guaranty is solely that of debtor and creditors, respectively, and Agent and the Lenders have no fiduciary obligation toward any Guarantor with respect to this Guaranty or the transactions contemplated hereby. The captions herein are for convenience of reference only and shall be ignored in interpreting the provisions of this Guaranty.

Section 10. Judgment Currency. If Agent, on behalf of the Lenders, obtains a judgment or judgments against any Guarantor in an Alternate Currency, the obligations of such Guarantor in respect of any sum adjudged to be due to Agent or the Lenders hereunder (the "Judgment Amount") shall be discharged only to the extent that, on the Business Day following receipt by Agent of the Judgment Amount in the Alternate Currency, Agent, in accordance with normal banking procedures, may purchase Dollars with the Judgment Amount in such Alternate Currency. If the amount of Dollars so purchased is less than the amount of Dollars that could have been purchased with the Judgment Amount on the date or dates the Judgment Amount (excluding the portion of the Judgment Amount that accrued as a result of the failure of such Guarantor to pay the sum originally due hereunder when it was originally due and owing to Agent or the Lenders hereunder, under the Credit Agreement or under the Notes, as the case may be) was originally due and owing (the "Original Due Date") to Agent or the Lenders hereunder (the "Loss"), such Guarantor agrees as a separate obligation and notwithstanding any such judgment, to indemnify Agent or such Lender, as the case may be, against the Loss, and if the amount of Dollars so purchased exceeds the amount of Dollars that could have been purchased with the Judgment Amount on the Original Due Date, Agent or such Lender agrees to remit such excess to such Guarantor.

Section 11. Payments Net of Taxes. All payments on account of principal, if any, interest and other fees and amounts payable hereunder shall be made without set-off or counterclaim and, unless otherwise required by law, shall be made free and clear of and without deduction for withholding tax or similar tax, present or future, imposed by any taxing authority in any jurisdiction (a "Tax"). If any Guarantor shall be required to withhold or pay any Tax, it shall make the required withholding and payment in accordance with and within the time allowed by law, and shall nonetheless pay to the appropriate Lender such additional amounts as shall be necessary to cause such Lender actually to receive in full all amounts (after taking account of any further deduction or withholding that is required to be made as a consequence of the payment of such additional amounts) on account of principal and interest or other fees or amounts owing to it hereunder, as if such Tax had not been paid. As soon as practicable after the date that any Tax shall become due and payable, (i) each Guarantor shall give to such Lender the original or a copy of a receipt for the payment of the Tax, or, if such receipts are not issued by or received from the taxing authority to which the Tax was paid, a certificate of an officer of such Guarantor, confirming the date and amount of the payment so made and reasonable details of the calculation of the amount due; and (ii) each Guarantor shall indemnify and save such Lender harmless from and against any claim, liability, loss, cost, expense (including without limitation legal, accounting and other professional fees, and interest and penalty charges or fines imposed by any taxing authority in respect of or arising from non-payment of such Tax) to which such Lender may be exposed or that it may incur, by reason of any Guarantor's failure to make punctual payment of any amount required to be paid to a taxing authority pursuant to this Section.

Section 12. Obligations and Agreement Independent. The obligations of each Guarantor under this Guaranty are independent of the obligations of any other Guarantor or any other Obligor, and a separate action or actions may be brought and prosecuted against any Guarantor whether or not any action is brought against any other Guarantor or any other

Obligor and whether or not any other Guarantor or any other Obligor is joined in any such action. This Guaranty shall be construed as a separate agreement with respect to each of the Guarantors and may be amended, modified, supplemented, waived, or released with respect to any Guarantor without the approval of any other Guarantor and without affecting the obligations of any other Guarantor hereunder.

Section 13. Governing Law; Submission to Jurisdiction. The provisions of this Guaranty and the respective rights and duties of each Guarantor, Agent and the Lenders hereunder shall be governed by and construed in accordance with Ohio law, without regard to principles of conflict of laws. Each Guarantor hereby irrevocably submits to the non-exclusive jurisdiction of any Ohio state or federal court sitting in Cleveland, Ohio, over any action or proceeding arising out of or relating to this Guaranty, any Loan Document or any Related Writing, and such Guarantor hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such Ohio state or federal court. Each Guarantor, on behalf of itself and its Subsidiaries, hereby irrevocably waives, to the fullest extent permitted by law, any objection it may now or hereafter have to the laying of venue in any action or proceeding in any such court as well as any right it may now or hereafter have to remove such action or proceeding, once commenced, to another court on the grounds of FORUM NON CONVENIENS or otherwise. Each Guarantor agrees that a final, nonappealable judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

Section 14. JURY TRIAL WAIVER. THE GUARANTORS, AGENT, AND THE LENDERS EACH WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, AMONG BORROWER, THE GUARANTORS, AGENT, AND THE LENDERS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS GUARANTY OR ANY NOTE OR OTHER AGREEMENT, INSTRUMENT OR DOCUMENT EXECUTED OR DELIVERED IN CONNECTION THEREWITH OR THE TRANSACTIONS RELATED THERETO.

[Remainder of page intentionally left blank.]

Exhibit E - 6

IN WITNESS WHEREOF, each Guarantor has executed and delivered this Guaranty as of the date first written above.

AMERICAN STERILIZER COMPANY
STERIS EUROPE, INC.
STERIS INC.
HTD HOLDING CORP.
HAUSTED, INC.
ISOMEDIX INC.
ISOMEDIX OPERATIONS INC.
STERILTEK, INC.
STRATEGIC TECHNOLOGY ENTERPRISES, INC.
STERILTEK HOLDINGS, INC.

By: _____

Name: _____

Title: _____

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

Exhibit E - 7

EXHIBIT F

AMENDED AND RESTATED
CONTRIBUTION AGREEMENT

(See attached)

Exhibit F - 1

AMENDED AND RESTATED CONTRIBUTION AGREEMENT

This AMENDED AND RESTATED CONTRIBUTION AGREEMENT (as the same may from time to time be amended, restated, supplemented or otherwise modified, this "Agreement") is entered into as of March 29, 2004, by and among STERIS CORPORATION, an Ohio corporation ("Borrower"), and each of the undersigned (other than Borrower) and any other Person, as defined in the Credit Agreement (as hereinafter defined), that becomes a party hereto by joined supplement or otherwise after the date hereof (collectively, the "Subsidiaries" and, individually, "Subsidiary"). Borrower and each of the Subsidiaries are sometimes hereinafter referred to, collectively, as the "Contributing Parties" and, individually, as a "Contributing Party").

Recitals:

A. STERIS CORPORATION, an Ohio corporation (together with its successors and assigns, "Borrower"), is entering into the Amended and Restated Credit Agreement, dated as of the date hereof (as the same may from time to time be amended, restated or otherwise modified, the "Credit Agreement"; unless otherwise provided herein, capitalized terms used in this Agreement have the meanings set forth in the Credit Agreement), with Agent and the lending institutions from time to time parties thereto (together with their respective successors and assigns, collectively, "Lenders" and, individually, "Lender").

B. As a condition, among others, to Agent's and the Lenders' willingness to enter into the Credit Agreement, the Lenders have required that each Subsidiary execute and deliver the Amended and Restated Guaranty of Payment, dated as of the date hereof (as the same may from time to time be amended, restated, supplemented or otherwise modified, the "Guaranty of Payment"), pursuant to which, among other things, the Subsidiaries have jointly and severally agreed to guarantee Borrower's indebtedness and other obligations owed to Agent and Lenders under and as defined in the Credit Agreement, including, without limitation, the Debt (as defined in the Guaranty of Payment, hereinafter referred to as the "Guaranteed Debt") it owes to Agent and/or the Lenders.

C. Each Subsidiary is a wholly-owned direct or indirect subsidiary of Borrower and is engaged in businesses related to those of Borrower and each other Subsidiary, and each of the Subsidiaries will derive direct or indirect economic benefit from the effectiveness and existence of the Credit Agreement.

Agreement:

In consideration of the premises and the covenants hereinafter contained, and to induce each Subsidiary to enter into the Guaranty of Payment, it is agreed as follows:

Section 1. To the extent that any Subsidiary shall, under the Guaranty of Payment, make a payment (a "Subsidiary Payment") of a portion of the Guaranteed Debt, then such Subsidiary shall be entitled to contribution and indemnification from, and be reimbursed by, each of the other Contributing Parties in an amount, for each such Contributing Party, equal to a fraction of such Subsidiary Payment, the numerator of which fraction is such Contributing Party's Allocable Amount (as described in Section 2 hereof) and the denominator of which is the sum of the Allocable Amounts of all of the Contributing Parties.

Section 2. As of any date of determination, the "Allocable Amount" of each Contributing Party shall be equal to the maximum amount of liability that could be asserted against such Contributing Party hereunder with respect to the applicable Subsidiary Payment without (i) rendering such Contributing Party "insolvent" within the meaning of Section 101(31) of the Federal Bankruptcy Code (the "Bankruptcy Code") or Section 2 of either the Uniform Fraudulent Transfer Act (the "UFTA") or the Uniform Fraudulent Conveyance Act (the "UFCA"), (ii) leaving such Contributing Party with unreasonably small capital, within the meaning of Section 548 of the Bankruptcy Code or Section 4 of the UFTA or Section 5 of the UFCA, or (iii) leaving such Contributing Party unable to pay its debts as they become due within the meaning of Section 548 of the Bankruptcy Code or Section 4 of the UFTA or Section 6 of the UFCA.

Section 3. This Agreement is intended only to define the relative rights of the Contributing Parties, and nothing set forth in this Agreement is intended to or shall impair the obligations of the Subsidiaries, jointly and severally, to pay any amounts, as and when the same shall become due and payable in accordance with the terms of the Guaranty of Payment.

Section 4. The parties hereto acknowledge that the rights of contribution and indemnification hereunder shall constitute assets in favor of each Subsidiary to which such contribution and indemnification is owing.

Section 5. This Agreement shall become effective upon its execution by each of the Contributing Parties and shall continue in full force and effect and may not be terminated or otherwise revoked by any Contributing Party until all of the Obligations under and as defined in the Agreement shall have been indefeasibly paid in full (in lawful money of the United States

of America) and discharged and this Agreement and financing arrangements evidenced and governed by the Credit Agreement shall have been terminated. Each Contributing Party agrees that if, notwithstanding the foregoing, such Contributing Party shall have any right under applicable law to terminate or revoke this Agreement, and such Contributing Party shall attempt to exercise such right, then such termination or revocation shall not be effective until a written notice of such revocation or termination, specifically referring hereto and signed by such Contributing Party, is actually received by each of the other Contributing Parties and by Agent at its notice address set forth in the Credit Agreement. Such notice shall not affect the right or power of any Contributing Party to enforce rights arising prior to receipt of such written notice by each of the other Contributing Parties and Agent. If Agent or any Lender grants additional Loans or issues additional Letters of Credit to Borrower or takes other action giving rise to additional Obligations after any Contributing Party has exercised any right to terminate or revoke this Agreement but before Agent receives such written notice, the rights of each other Contributing Party to contribution and indemnification hereunder in connection with any Subsidiary Payments made with respect to such Loans or Letters of Credit shall be the same as if such termination or revocation had not occurred.

Exhibit F - 3

IN WITNESS WHEREOF, each Contributing Party has executed and delivered this Agreement as of the date first written above.

STERIS CORPORATION

By: _____

Title: _____

Name: _____

Address:

5960 Heisley Road
Mentor, Ohio 44060
Attn: Chief Financial Officer

AMERICAN STERILIZER COMPANY
STERIS EUROPE, INC.
STERIS INC.
HTD HOLDING CORP.
HAUSTED, INC.
ISOMEDIX INC.
ISOMEDIX OPERATIONS INC.
STERILTEK, INC.
STRATEGIC TECHNOLOGY ENTERPRISES, INC.
STERILTEK HOLDINGS, INC.

By: _____

Name: _____

Title: _____

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

Address:

c/o STERIS Corporation
5960 Heisley Road
Mentor, Ohio 44060
Attn: Chief Financial Officer

EXHIBIT G

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption Agreement (the "Assignment") is dated as of the Effective Date set forth below and is entered into by and between *[Insert name of Assignor]* (the "Assignor") and *[Insert name of Assignee]* (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to such terms in the Credit Agreement identified below (as the same may from time to time be amended, restated or otherwise modified, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Agent as contemplated below, the interest in and to all of the Assignor's rights and obligations under the Credit Agreement and any other documents or instruments delivered pursuant thereto that represents the amount and percentage interest identified below of all of the Assignor's outstanding rights and obligations under the respective facilities identified below, including, to the extent included in any such facilities, Letters of Credit and Swing Loans (the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment, without representation or warranty by the Assignor.

1. Assignor: _____
2. Assignee: _____
3. Borrower: STERIS CORPORATION
4. Agent: KEYBANK NATIONAL ASSOCIATION, as Agent under the Credit Agreement
5. Credit Agreement: The \$275,000,000 Amended and Restated Credit Agreement dated as of March 29, 2004, among STERIS CORPORATION, the Lenders parties thereto, KEYBANK NATIONAL ASSOCIATION, as Agent, and the other agent a party thereto.

6. Assigned Interest:

Facility Assigned	Aggregate Amount of Commitment/Loans for all Lenders	Amount of Commitment/Loans Assigned	Percentage Assigned of Commitment/Loans ¹
1	\$ _____	\$ _____	_____%
	\$ _____	\$ _____	_____%
	\$ _____	\$ _____	_____%

Effective Date: _____, 20____ [TO BE INSERTED BY AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By: _____
 Name: _____
 Title: _____

ASSIGNEE

[NAME OF ASSIGNEE]

By: _____
 Name: _____
 Title: _____

[Consented to and]² Accepted:

KEYBANK NATIONAL ASSOCIATION, as Agent

By: _____
 Name: _____
 Title: _____

¹ Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

² To be added only if the consent of Agent is required by the terms of the Credit Agreement.

[Consented to:]³

STERIS CORPORATION

By: _____
Name: _____
Title: _____

³ To be added only if the consent of the Borrower is required by the terms of the Credit Agreement.

Exhibit G -3

ANNEX 1

\$275,000,000 Amended and Restated Credit Agreement
for STERIS Corporation
dated as of March 29, 2004

STANDARD TERMS AND CONDITIONS FOR ASSIGNMENT
AND ASSUMPTION AGREEMENT

1. Representations and Warranties.

1.1. Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with any Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document delivered pursuant thereto, other than this Assignment (herein, collectively, the "Credit Documents"), or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Credit Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Credit Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an eligible assignee under Section 10.10(a) of the Credit Agreement, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.03 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and to purchase the Assigned Interest on the basis of which it has made such analysis and decision, and (v) if it is an assignee described in Section 10.10(f) of the Credit Agreement, attached to the Assignment is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Documents, and (ii) it will perform in accordance with their terms all of the obligations that by the terms of the Credit Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other

amounts) to the Assignor for amounts that have accrued to (but excluding) the Effective Date and to the Assignee for amounts that have accrued from and after the Effective Date.

3. General Provisions. This Assignment shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment. This Assignment shall be governed by, and construed in accordance with, the law of the State of Ohio, without regard to principles of conflicts of laws.

[End of Annex 1]

Exhibit G - 5

EXHIBIT H
REQUEST FOR EXTENSION

[Date] _____, 20____

KeyBank National Association, as Agent
127 Public Square
Cleveland, Ohio 44114
Attention:

Ladies and Gentlemen:

The undersigned, STERIS CORPORATION, an Ohio corporation, refers to the Amended and Restated Credit Agreement, dated as of March 29, 2004 (as the same may from time to time be amended, restated or otherwise modified, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, the Lenders, as defined in the Credit Agreement, and KeyBank National Association, as Agent, and hereby gives you notice, pursuant to Section 2.13 of the Credit Agreement that the undersigned hereby requests an extension as set forth below (the "Extension") under the Credit Agreement, and in connection with the Extension sets forth below the information relating to the Extension as required by Section 2.13 of the Credit Agreement.

The undersigned hereby requests Agent and the Lenders to extend the Commitment Period from _____, 20____ to _____, 20____.

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Extension: (i) the representations and warranties contained in each Loan Document are correct, before and after giving effect to the Extension and the application of the proceeds therefrom, as though made on and as of such date; (ii) no event has occurred and is continuing, or would result from such Extension, or the application of proceeds therefrom, which constitutes a Default or an Event of Default; and (iii) the conditions set forth in Section 2.03 and Article VI of the Credit Agreement have been satisfied.

Very truly yours,
STERIS CORPORATION

By: _____
Name: _____
Title: _____

EXHIBIT I

LETTER OF CREDIT TERMS AND CONDITIONS

(See attached)

Exhibit I - 1

LETTER OF CREDIT TERMS AND CONDITIONS

The following terms and conditions govern each Letter of Credit issued under and/or subject to the Credit Agreement and supplement the terms and conditions governing Letters of Credit set forth in the Credit Agreement. If the following terms and conditions conflict with or are in any way inconsistent with the terms and conditions set forth in the Credit Agreement that relate to Letters of Credit, the terms and conditions set forth in the Credit Agreement shall govern. All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Credit Agreement.

LETTER OF CREDIT PROCEDURES.

LC Applications. Any LC Application may be sent by facsimile, by United States mail, by overnight courier, by electronic transmission using the system provided by the LC Issuer, by personal delivery or by any other means acceptable to the LC Issuer.

Form of Letters of Credit.

The LC Applicant authorizes the LC Issuer to set forth the terms of each LC Application in the Letter of Credit corresponding to such LC Application (and in any amendment thereto) in such language as the LC Issuer deems appropriate, with such variations from such terms as the LC Issuer may in its discretion determine to be necessary (which determination shall be conclusive) and not materially inconsistent with such LC Application. The LC Issuer may, but shall not be obligated to, request the LC Applicant to review the form of a Letter of Credit prior to issuance thereof, in which case the LC Applicant shall be deemed to have approved the form of such Letter of Credit. With respect to any other Letter of Credit, the LC Applicant agrees that such Letter of Credit shall be conclusively presumed to be in proper form unless the LC Applicant notifies the LC Issuer in writing of any inconsistency in such Letter of Credit within three Business Days of its issuance. Upon receipt of timely notice of any discrepancy in any Letter of Credit, the LC Issuer will endeavor to obtain the consent of the beneficiary and any confirming LC Issuer for an appropriate modification to such Letter of Credit; provided that the LC Issuer shall have no liability or responsibility for its failure to obtain such consent.

The LC Applicant accepts the risk that a Letter of Credit will be interpreted or applied other than as intended by the LC Applicant to the extent such Letter of Credit (i) permits presentation at a place other than the place of issuance, (ii) permits application of laws other than the governing law of the State of Ohio as set forth in Section 10.16 of the Credit Agreement, (iii) requires termination or reduction against a presentation made by the LC Applicant rather than the beneficiary, or (iv) fails to incorporate or permits the LC Application of rules and practices other than established letter of credit practices and rules.

REIMBURSEMENT OBLIGATIONS; RESPONSIBILITIES, ETC.

Reimbursement Obligations. The obligation of the LC Applicant to reimburse the LC Issuer under this Section 2 for payments and disbursements made by the LC Issuer under any Letter of Credit or any time draft issued pursuant thereto shall be absolute and unconditional under any and all circumstances, including, without limitation, the following:

any failure of any draft, order, instrument, demand or other document drawn or presented, or to be drawn or presented, under any Letter of Credit ("Item") presented under such Letter of Credit to strictly comply with the terms of such Letter of Credit;

the legality, validity, regularity or enforceability of such Letter of Credit or of any Item presented thereunder;

any defense based on the identity of the transferee of such Letter of Credit or the sufficiency of the transfer if such Letter of Credit is transferable;

the existence of any claim, set-off, defense or other right that the LC Applicant may have at any time against any beneficiary or transferee of such Letter of Credit, the LC Issuer or any other Person, whether in connection with the Credit Agreement, the transactions contemplated hereby or any unrelated transaction;

any Item presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

honor of a demand for payment presented electronically even if such Letter of Credit requires that demand be in the form of a draft;

waiver by the LC Issuer of any requirement that exists for the LC Issuer's protection and not the protection of the LC Applicant or any waiver by the LC Issuer which does not in fact materially prejudice the LC Applicant;

any payment made by the LC Issuer in respect of an Item presented after the date specified as the expiration date of, or the date by which documents must be received under, such Letter of Credit if payment after such date is authorized by the ISP, the UCC or the UCP, as applicable; or

any other circumstance or happening whatsoever, whether or not similar to any of the foregoing;

provided that the LC Applicant shall not be obligated to reimburse the LC Issuer for any wrongful payment or disbursement made by the LC Issuer under any Letter of Credit as a result of any act or omission constituting gross negligence or willful misconduct on the part of the LC Issuer.

Discrepancies.

The LC Applicant agrees that it will promptly examine any and all instruments and documents delivered to it from time to time in connection with any Letter of Credit, and if the LC Applicant has any claim of noncompliance with its instructions or of discrepancies or other irregularity, the LC Applicant will immediately (and, in any event, within three Business Days) notify the LC Issuer thereof in writing, and the LC Applicant shall be deemed to have waived any claim against the LC Issuer unless such notice is given within such time period. Without limiting the foregoing, if the LC Issuer makes any payment or disbursement under a Letter of Credit and the LC Applicant does not send a notice to the LC Issuer within three Business Days objecting to such payment or disbursement and specifying in reasonable detail the discrepancy or irregularity which is the basis for such objection, then the LC Applicant shall be precluded from making any objection to the LC Issuer's honor of the presentation with respect to which such payment or disbursement was made (but shall not be precluded from asserting any objection to any different presentation under the same or a different Letter of Credit).

The LC Applicant's acceptance or retention of any documents presented under or in connection with a Letter of Credit (including originals or copies of documents sent directly to the LC Applicant) or of any property for which payment is supported by a Letter of Credit shall ratify the LC Issuer's honor of the documents and absolutely preclude the LC Applicant from raising a defense or claim with respect to the LC Issuer's honor of the relevant presentation.

Documents. Unless specified to the contrary in the relevant LC Application, the LC Applicant agrees that the LC Issuer and its correspondents: (a) may accept as complying with the applicable Letter of Credit any Item drawn, issued or presented under such Letter of Credit which is issued or purportedly issued by an agent, executor, trustee in bankruptcy, receiver or other representative of the party identified in such Letter of Credit as the party permitted to draw, issue or present such Item; and (b) may in its or their discretion, but shall not be obligated to, accept or honor (i) any Item which substantially complies with the terms of the applicable Letter of Credit; (ii) any Item which substantially complies under the laws, rules, regulations and general banking or trade customs and usages of the place of presentation, negotiation or payment; (iii) drafts which fail to bear any or adequate reference to the applicable Letter of Credit; (iv) any Item presented to the LC Issuer after the stated expiration date of a Letter of Credit but within any applicable time period during which such Letter of Credit may be honored in accordance with the UCP, the UCC and/or the ISP, as applicable (and, in any event, any Item presented to the LC Issuer on the Business Day immediately following the stated expiration date of any Letter of Credit, if such stated expiration date falls on a day which is not a Business Day); or (v) any Item which substantially complies with the requirements of the UCP, the UCC and/or the ISP, as applicable. In determining whether to pay under any Letter of Credit, the LC Issuer shall have no obligation to the LC Applicant or any other Person except to confirm that the Items required to be delivered under such Letter of Credit appear to have been delivered and appear on their face to substantially comply with the requirements of such Letter of Credit. For purposes of the foregoing, an Item "substantially complies" unless there are discrepancies in the presentation which appear to be substantial and which reflect corresponding defects in the beneficiary's performance in the underlying transaction. A discrepancy is not substantial if it is unrelated or immaterial to the nature or amount of the LC Applicant's loss. For example, documents honored by the LC Issuer that do not comply with the timing requirements of the Letter of Credit for presenting or dating any required beneficiary statement nonetheless substantially comply if those timing requirements are not material in determining whether the underlying agreement has been substantially performed or violated.

Exculpation. In addition to the exculpatory provisions contained in the UCP, the UCC and/or the ISP, as applicable, the LC Issuer and its correspondents shall not be responsible for, and the LC Applicant's obligation to reimburse the LC Issuer shall not be affected by, (a) compliance with any law, custom or regulation in effect in the country of issuance, presentation, negotiation or payment of any Letter of Credit, (b) any refusal by the LC Issuer to honor any Item because of an applicable law, regulation or ruling of any governmental agency, whether now or hereafter in effect, (c) any action or inaction required or permitted under the UCC, the UCP, the ISP or the United Nations Convention on Independent Guarantees and Stand-by Letters of Credit, in each case as applicable, or (d) any act or the failure to act of any agent or correspondent of the LC Issuer, including, without limitation, failure of any such agent or correspondent to pay any Item because of any law, decree, regulation, ruling or interpretation of any governmental agency.

Risks. The LC Applicant assumes all risks of the acts or omissions of any beneficiary or transferee of any Letter of Credit (it being understood that such assumption is not intended to, and shall not, preclude the LC Applicant from pursuing any right or remedy it may have against any such beneficiary or transferee). The LC Applicant further agrees that any action or omission by the LC Issuer under or in connection with any Letter of Credit or any related Item, document or property shall, unless in breach of good faith, be binding on the LC Applicant and shall not put the LC Issuer under any resulting liability to the LC Applicant. Without limiting the foregoing, the LC Applicant agrees that in no event shall the LC Issuer be liable for incidental, consequential, punitive, exemplary or special damages.

Limitation on LC Issuer's Obligations. Without limiting any other provision herein, the LC Issuer is expressly authorized and directed to honor any request for payment which is made under and in compliance with the terms of any Letter of Credit without regard to, and without any duty on the part of the LC Issuer to inquire into, the existence of any dispute or controversy between any of the LC Applicant, the beneficiary of any Letter of Credit or any other Person, or the respective rights, duties or liabilities of any of them, or whether any facts represented in any Item presented under a Letter of Credit are true or correct. Furthermore, the LC Applicant agrees that the LC Issuer's obligation to the LC Applicant shall be limited to honoring requests for payment made under and in compliance with the terms of any Letter of Credit, and the LC Issuer's obligation remains so limited even if the LC Issuer may have prepared or assisted in the preparation of the wording of any Letter of Credit or any Item required to be presented thereunder or the LC Issuer may otherwise be aware of the underlying transaction giving rise to any Letter of Credit.

Automatic Renewal of Letters of Credit. IF ANY LETTER OF CREDIT CONTAINS ANY PROVISION FOR AUTOMATIC RENEWAL, THE LC APPLICANT ACKNOWLEDGES AND AGREES THAT THE LC ISSUER IS UNDER NO OBLIGATION TO ALLOW SUCH RENEWAL TO OCCUR AND ANY SUCH RENEWAL SHALL REMAIN WITHIN THE SOLE AND ABSOLUTE DISCRETION OF THE LC ISSUER. THE LC APPLICANT IRREVOCABLY CONSENTS TO THE AUTOMATIC RENEWAL OF EACH SUCH LETTER OF CREDIT IN ACCORDANCE WITH ITS TERMS IF THE LC ISSUER ALLOWS SUCH RENEWAL TO OCCUR; PROVIDED THAT THE LC APPLICANT SHALL HAVE THE RIGHT TO REQUEST THE LC ISSUER TO DISALLOW ANY SUCH RENEWAL ON THE CONDITION THAT THE LC APPLICANT SHALL GIVE THE LC ISSUER PRIOR WRITTEN NOTICE OF SUCH REQUEST NOT LESS THAN 30 DAYS PRIOR TO THE DEADLINE IMPOSED UPON THE LC ISSUER FOR NOTIFICATION TO THE BENEFICIARY OF NON-RENEWAL OF ANY SUCH LETTER OF CREDIT.

MAKING OF PAYMENTS.

All payments of principal of, or interest on, Unreimbursed Letter of Credit Obligations, all payments of fees and all other payments hereunder shall be made by the LC Applicant in immediately available funds to the LC Issuer at its principal office in Chicago not later than 12:30 P.M., Chicago time, on the date due, and funds received after that time shall be deemed to have been received by the LC Issuer on the next Business Day. If any payment of principal, interest or fees falls due on a Saturday, Sunday or other day which is not a Business Day, then such due date shall be extended to the next Business Day, and additional interest shall accrue and be payable for the period of such extension.

The LC Applicant shall reimburse the LC Issuer for each payment under a Letter of Credit in the same currency in which such payment was made; provided that, if the LC Issuer so requests (in its discretion), the LC Applicant shall reimburse the LC Issuer in Dollars for any payment under a Letter of Credit made in a foreign currency at the rate at which the LC Issuer could sell such foreign currency in exchange for Dollars for transfer to the place of payment of such payment or, if there is no such rate, the Dollar Equivalent of the LC Issuer's actual cost of settlement. The LC Applicant agrees to pay the LC Issuer on demand in Dollars such amounts as the LC Issuer may be required to expend to comply with any and all governmental exchange regulations now or hereafter applicable to the purchase of foreign currency.

GENERAL.

Foreign Assets Control Regulations. The LC Applicant certifies that no transaction in foreign goods covered by any LC Application will be prohibited under the foreign assets control regulations of the United States Treasury Department and that any importation related to any Letter of Credit will conform with all applicable laws, rules and regulations.

Mitigation; Limitation of Liability. The LC Applicant agrees to take action to avoid or reduce the amount of any damages which may be claimed against the LC Issuer. For example, (a) in the case of wrongful honor, the LC Applicant agrees to enforce its rights arising out of the underlying transaction (except to the extent that enforcement is impractical due to the insolvency of the beneficiary or other Person from whom the LC Applicant might otherwise recover), and (b) in the case of wrongful dishonor, the LC Applicant agrees to specifically and timely authorize the LC Issuer to effect a cure and give written assurances to the beneficiary that a cure is being arranged. The LC Applicant's aggregate remedies against the LC Issuer for honoring a presentation or retaining honored documents in breach of the LC Issuer's obligations to the LC Applicant (whether arising under the Credit Agreement, applicable letter of credit practice or law, or any other agreement or law) are limited to the aggregate amount paid by the LC Applicant to the LC Issuer with respect to the honored presentation.

Subrogation. The LC Issuer shall be subrogated (for purposes of defending against the LC Applicant's claims and proceeding against others to the extent of any liability of the LC Issuer to the LC Applicant) to the LC Applicant's rights against any Person who may be liable to the LC Applicant on any underlying transaction, to the rights of any holder in due course or Person with similar status against the LC Applicant and to the rights of the beneficiary of any Letter of Credit or its assignee or any Person with similar status against the LC Applicant.

Continuation of Liability. Regardless of the expiry date of any Letter of Credit, the LC Applicant shall remain liable hereunder until the LC Issuer is released from liability by every Person that is entitled to draw or demand payment under each Letter of Credit issued pursuant hereto.

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, SterilTek Holdings, Inc., a corporation organized under the laws of Delaware (the "Additional Guarantor"), to join in the Guaranty. In accordance with the requirements of the Guaranty, the Additional Guarantor desires to amend the definition of Guarantor (as the same may have been heretofore amended) set forth in the Guaranty attached hereto so that at all times from and after 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 Vice President and Treasurer of the Additional Guarantor, a subsidiary of the Company, and is duly authorized to execute and deliver this Guaranty Supplement to each of you. The execution by the undersigned of this Guaranty Supplement shall evidence its consent to and acknowledgment and approval of the terms set forth herein and in the Guaranty and by such execution the Additional Guarantor shall be deemed to have made in favor of the Holders the representations and warranties set forth in Section 5 of the Guaranty.

Upon execution of this Guaranty Supplement, 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: March 29, 2004

STERILTEK HOLDINGS, INC.

By: _____

William L. Aamoth
Vice President and Treasurer

Accepted and Agreed:

STERIS CORPORATION

By: _____

William L. Aamoth
Vice President and Corporate Treasurer

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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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 “*Holder*”), 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 guaranties, 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 17th 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
Name: William L. Aamoth
Title: Treasurer

GUARANTY

Accepted and Agreed:

STERIS CORPORATION

By: /s/ William L. Aamoth

Name: William L. Aamoth

Title: Treasurer

GUARANTY

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.

EXHIBIT A

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:

Director Code of Ethics

Responsibilities

This Director Code of Ethics (“Code of Ethics” or “Code”) is a guide to ethical considerations with respect to your status as a Director of STERIS Corporation (“STERIS” or “Company”). The Board of Directors provides STERIS senior management with general guidance and advice concerning the competent and ethical operation of the Company. STERIS Directors likewise will execute their responsibilities in a highly ethical manner, consistent with this Code of Ethics and applicable legal requirements and stock exchange regulations. Directors will regularly review this Code to monitor compliance and consider modifications.

General Conflicts of Interest

Each Director must consider other existing and anticipated commitments so that such commitments do not materially interfere with the members’ service as a Director. STERIS Directors must avoid situations where personal or other loyalties may conflict with the interests of STERIS. STERIS Directors should endeavor to avoid the appearance of a conflict of interest, or should disclose and explain such appearance to the Board of Directors so that a determination can be made of whether an actual conflict exists.

Personal Benefit from STERIS Business

STERIS Directors may not receive any loans, consulting fees, or other material personal profit or benefit in connection with any transaction involving STERIS, other than compensation and expense payments or committee fees as a Director (or in the case of a Director employed by the Company, compensation as an employee), as approved by the full Board. Other than such payments, Directors must disclose to the Company’s General Counsel any transaction, or proposed transaction, between a STERIS entity and you, a member of your immediate family, or a business you or an immediately family member own, control, or have a substantial interest in (more than 5% of the outstanding voting securities).

Other Businesses

STERIS Directors may not have a personal or family financial interest in any STERIS supplier, customer, consultant, reseller or competitor that has a reasonable potential for causing a conflict of interest, or divided loyalty, or resulting in material personal gain. Whether there may be the potential for a conflict of interest, divided loyalty or personal gain depends on many factors, including the Director’s ability to influence STERIS decisions that affect personal interests, the size of the any potential personal gain relative to the Director’s other resources, and the nature of the relationship between our Company and the other business. In any event, the potential for personal gain or other divided loyalty must be disclosed to the full Board and to STERIS’s General Counsel.

Other Directorships and Positions

Except as permitted by applicable competition, antitrust, and securities laws, STERIS Directors may not be a director, employee, or consultant of a company or organization that produces, supports or promotes products or services that compete with STERIS to any material extent. Prior to joining any other board or accepting an executive position with a company that does business with STERIS or may compete with STERIS, you must consult with STERIS’s Chairman of the Board, CEO (if separate), and General Counsel. If in your position as a Director, employee, or consultant of another organization you encounter any situation where your role with that other organization may be in conflict with STERIS’s interests, you must inform STERIS’s Chairman of the Board, CEO, and General Counsel of the potential conflict so that appropriate action can be taken.

Confidentiality in General

STERIS technical, research, development, personnel, financial, strategic, and other business information are Company property and must be kept confidential.

Communication Regarding STERIS

Confidential information about STERIS, including information that can be expected to have an impact on the market for STERIS stock, forward-looking information such as sales, revenue or earnings projections, new product introductions, or other non-public information, may be released only in accordance with STERIS guidelines and United States securities laws. Contacts with news organizations, analysts, or shareholders should be directed promptly to STERIS Corporate Communications or Investor Relations. Director communication involving Company matters are expected to be coordinated with and through Company management, except as contemplated by applicable committee charters or as approved by the full Board.

Inside Information

As a Director, you have information about STERIS that is both material and non-public. You must adhere to STERIS’s Stock Trading Policy, United States securities laws, and exchange requirements regarding trading and reporting trades in STERIS stock. Violation of insider trading laws subject both you and STERIS to potential severe criminal penalties. These laws and STERIS policy apply to all STERIS Directors and every stock transaction, including option exercises, regardless of size, and to all disclosures of material non-public information, whether or not you personally benefit. Directors are required to obtain prior written approval of any transaction in STERIS stock, including option exercises. In addition, you may not “tip” others who may trade in STERIS stock.

Handling Company Assets

Director must take care to safeguard STERIS assets, including protection from unauthorized use. STERIS assets may not be used for personal benefit or any unlawful or improper purposes. Directors must consult with the General Counsel regarding the preservation and production of documents in the event of litigation or investigation regarding the Company.

Director Independence

The STERIS Board must be comprised of a majority of independent directors. As described in this Code, Directors must disclose transactions involving the Company that may result in divided loyalty or personal gain or profit, and thereby potentially affect director independence. The Board will, at least annually, determine whether or not each Board member is independent, in accordance with applicable law, regulation, and listing standards.

Relationship to Other Policies

If a Director is also a STERIS employee, the STERIS Code of Business Conduct and related policies also apply to you. In addition, as a member of any committee of the Board of Directors, the applicable committee charter(s) should also guide your conduct. Any waiver of the requirements of this Code in favor of Directors must be approved by the Board of Directors and must be disclosed as required by law or exchange regulation.

Code of Business Conduct

Global Ethics and Compliance Policy

STERIS requires employees to be lawful and ethically responsible in all business practices. STERIS expects all employees to learn and comply with all Company Policies, applicable laws, and the principles outlined in this Code of Business Conduct.

Fundamental Ethical Values

Certain values are fundamental to our business activities:

- **Integrity** – We embrace truthfulness and trust. We say what we mean and deliver what and when we promise.
- **Mutual respect** – We value and respect our customers, suppliers, fellow employees and communities.
- **Responsibility** – We strive for excellence in everything we do. We are expected to adhere to established legal and ethical standards. We are responsible for our actions.
- **Corporate Citizenship** – We operate our businesses in a manner which respects and obeys all applicable laws.

The STERIS Workplace

An environment that supports honesty, integrity, respect, trust, diversity, and responsibility allows us to achieve performance excellence in our workplace.

The Company is committed to an environment free from unlawful harassment and discrimination. STERIS employees are expected to conduct themselves in a manner appropriate for the work environment. All employees are expected to perform their responsibilities in a professional manner in the workplace, while driving Company vehicles or operating Company equipment, and to be free from the effects of drugs, alcohol or other substances that may hinder job performance or judgment.

Health, Safety and the Environment

STERIS is committed to conducting operations in compliance with all applicable laws protecting human health and the environment.

All employees are required to comply with all applicable environmental laws, health and safety laws, and Company Policies. Environmental and health and safety laws are complex, subject to frequent changes, and vary from country to country. Employees should seek the advice of Environmental Compliance and Health and Safety Department designated employees, or the STERIS Legal Department about the application of these laws.

Third Party Relationships

STERIS requires ethical relationships with customers, suppliers, regulatory agencies, and others with whom we deal. Employees with the designated responsibility must comply with all applicable product regulatory approvals, good manufacturing practice requirements, design controls, labeling and advertising controls, and other applicable product regulations and controls of the Company or governmental agencies.

Relationships with third parties, as well as all business decisions, must be based on what is required by law and in the best interests of STERIS, and must not be motivated or influenced by personal considerations.

Employees should discuss, with their supervisor or the STERIS Legal Department, any activity that might create a conflict of interest. Examples of potential conflicts include:

- Personal financial interests that might reasonably affect business judgment on behalf of STERIS.
- Personal use of Company confidential information.
- Other employment that adversely affects work performance for STERIS.
- Gifts or entertainment that could reasonably be considered to improperly influence STERIS's business relationship with, or create an obligation to, a customer, supplier, or contractor.

Inquiries from third parties such as the media or the financial community must be forwarded to the appropriate Communications, Finance, Investor Relations, or Legal Department representative for appropriate handling.

STERIS employees have access to private, confidential, or proprietary information owned by and/or about the Company. Confidential information is information that is not generally known or readily available to others. This information includes technical know-how and data, trade secrets, business plans, marketing and sales programs, and sales figures, as well as information relating to mergers and acquisitions, stock splits, divestitures, licensing activities, and changes in senior management. Confidential information also includes personal information about STERIS employees, such as salaries, benefits, and information contained in personnel files. Such confidential information must not be disclosed to third parties without appropriate approvals.

Political Activity / Dealing with the Government

Most political contributions to candidates by corporations are prohibited in the United States and many other countries. Employees may make political contributions on a personal or individual basis and may also participate in the STERIS PAC on a voluntary basis. Employees may not, however, commit Company resources to political campaigns without STERIS Legal Department and CEO approval.

STERIS customers include governmental entities. The laws and regulations governing transactions with governmental entities impose special rules and requirements not usually found in transactions with private parties. Consult the STERIS Legal Department concerning potential commercial transactions with government entities.

The recruitment and employment of former or current government employees is subject to special rules and possible restrictions. These rules may also apply to family members of the government employee. Contact the STERIS Legal Department concerning potential hires of government employees.

Competition Law and Trade Practices

STERIS employees must engage ONLY in lawful and ethical competitive practices. The laws governing commercial competitive practices are very complex. Generally, competitors may not agree or have an arrangement:

- On prices they charge, or other terms of sales, for goods or services, regardless of the economic impact;
- On production volumes;
- To avoid competing on bids or projects;
- To refuse to deal or transact with particular customers or suppliers; or
- To divide or allocate customers, territories, or markets.

Contact the STERIS Legal Department if these issues are confronted or whenever any arrangement with a competitor is contemplated.

The United States and other countries regulate international trade of certain commodities, technologies, and services through import and export restrictions, trade embargoes, and economic sanctions. Imports or exports may be subject to laws and regulations that require prior approval, licensing, or reporting requirements. If in doubt about these laws, please contact the STERIS Legal Department.

Employees of STERIS and its affiliates (even those residing outside of the United States) must comply with the United States Foreign Corrupt Practices Act (FCPA) and similar international laws. In general, these laws make it unlawful to bribe, or offer to bribe, any foreign government official to influence or keep business. Employees may not make payments to agents or any other representative of STERIS if the employee has reason to believe that these payments may result in bribes to foreign officials. Not all payments to government officials are illegal, but FCPA rules are complex. Contact the STERIS Legal Department if you have questions concerning the application of these laws.

Information and Records

Accuracy and reliability in the preparation of all financial documents, government filings, and other business records is required by law and STERIS Company Policy. All Company accounting records, as well as reports produced from these records, must be kept and presented in accordance with the laws of each applicable jurisdiction, and must accurately and fairly reflect the Company's assets, liabilities, revenues and expenses. All transactions shall be supported by accurate documentation in reasonable detail and recorded in the proper account and in the proper accounting period. Compliance with Generally Accepted Accounting Principles and the Company's system of internal accounting controls is required at all times.

Financial and other information that the Company considers private or proprietary must be kept confidential. Such information may relate to new plans, products or processes; mergers, acquisitions or divestments of businesses; sales; profitability; negotiations related to significant contracts; significant litigation; or other material information. Because this information is a valuable Company asset, it may not be:

- Disclosed to third parties without appropriate authorization,
- Used for personal gain, or
- Acted upon in violation of the STERIS Stock Trading Policy.

STERIS Resources

STERIS entrusts employees with numerous Company assets, including the information that resides on Company computer systems and networks. Every employee has a responsibility to obtain and use Company and customer assets appropriately and in accordance with Company Policy. Employees are responsible for the proper use of e-mail, internet access, computer programs and related copyright licenses, and other Company assets including Company licensed products and services utilized in the performance of their job.

STERIS employees recognize that STERIS resources (e.g., e-mail, voice mail, computers and documents) are the property of the Company and may be monitored at any time in compliance with applicable laws. Employees and others have no right to privacy, subject to applicable laws, for any information, personal or otherwise, on any Company communication system or other Company property.

Code and Policy Violations

A failure by any employee to comply with laws or regulations governing the Company's business, this Code or any other Company Policy or requirement, may result in disciplinary action, termination, and if warranted, legal proceedings. Nothing in this Code or other Company Policies constitutes a contract of employment with any individual or assurance of any duration of employment.

Questions about Compliance and Reporting Violations

If you have any questions or concerns about compliance with the subjects described in this Code, or are unsure of "the right thing" to do, talk with:

- Your Supervisor,
- Your location or Corporate Human Resources department personnel,
- STERIS's Director of Internal Audit,
- The STERIS Legal Department (especially when dealing with any law or regulation), or
- The STERIS Ethics Line (1-877-888-0002).

The STERIS Ethics Line does not replace traditional communication channels already in place. However, if you have an issue regarding an ethics or compliance related matter, or have observed something that seems to be a violation of the Company's Policies, and you feel you cannot communicate effectively using existing internal Company channels, call the STERIS Ethics Line. Reports on the STERIS Ethics Line may be made anonymously and without reprisals for matters reported in good faith.

Conclusion

This brochure is only a summary of the Company's expectations for ethical and appropriate business conduct. The Company has detailed policies which support this summary. In the event of any questions, concerns or needs for clarification about appropriate employee behavior, STERIS management is willing and able to provide guidance and counsel.

This Code of Business Conduct is not a contract and may be changed at any time by the Company without notice.

EXHIBIT 21.1 SUBSIDIARIES OF STERIS CORPORATION

STERIS Corporation has no parent company. As of March 31, 2004, its direct and indirect subsidiaries were as follows:

<u>Legal Entity</u>	<u>Domicile</u>
American Sterilizer Company	Pennsylvania
CLBV Limited	United Kingdom
Ecomed, Inc.	Indiana
Global Risk Insurance Company	Vermont
Hamo AG	Switzerland
Hamo Deutschland GmbH	Germany
Hamo Group GmbH	Switzerland
Hamo-Helpex France S.A.	France
Hamo SEA Sdn. Bhd.	Malaysia
Hamo UK Limited	United Kingdom
Hamo USA Inc.	Florida
Hausted, Inc.	Delaware
HSTD LLC	Delaware
HTD Holding Corp.	Delaware
Isomedix Corporation	Canada
Isomedix Inc.	Delaware
Isomedix Operations Inc.	Delaware
SterilTek Holdings, Inc.	Delaware
SterilTek, Inc.	Nevada
STERIS AB	Sweden
STERIS Asia Pacific, Inc.	Delaware
STERIS (Barbados) Corp.	Barbados
STERIS Brasil Servicos Administrativos Ltda.	Brazil
STERIS Canada Corporation	Canada
STERIS Canada Inc.	Canada
STERIS CH Limited	United Kingdom
STERIS Corporation de Costa Rica, S.A.	Costa Rica
STERIS Europe, Inc.	Delaware
STERIS FoodLabs, Inc.	Kansas
STERIS Foreign Sales Corporation	U.S. Virgin Islands
STERIS GmbH	Germany
STERIS Holdings B.V.	Netherlands
STERIS Hong Kong Limited	Hong Kong
STERIS Iberia, S.A.	Spain
STERIS Inc.	Delaware
STERIS International Sales Corporation	Delaware
STERIS Japan Inc.	Japan
STERIS Korea Limited	Korea
STERIS Latin America, Inc.	Delaware
STERIS Limited	United Kingdom
STERIS Mexico, S. de R.L. de C.V.	Mexico
STERIS S.A.	Belgium
STERIS Societe Anonyme	France
STERIS S.r.l.	Italy
STERIS Singapore Pte. Ltd.	Singapore
STERISOnline Inc.	Ohio
Strategic Technology Enterprises, Inc.	Delaware

EXHIBIT 23.1 CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements of STERIS Corporation and in the related Prospectuses of our report dated June 4, 2004, with respect to the consolidated financial statements and schedule of STERIS Corporation and Subsidiaries included in this Annual Report (Form 10-K) for the year ended March 31, 2004:

Registration Number	Description
333-40058	Form S-8 Registration Statement — Nonqualified Stock Option Agreement between STERIS Corporation and Les C. Vinney
333-40082	Form S-8 Registration Statement — Nonqualified Stock Option Agreement between STERIS Corporation and Laurie Brlas and the Nonqualified Stock Option Agreement between STERIS Corporation and David L. Crandall
333-65155	Form S-8 Registration Statement — STERIS Corporation 1998 Long Term Incentive Compensation Plan
333-55839	Form S-8 Registration Statement — Nonqualified Stock Option Agreement between STERIS Corporation and John Masefield and the Nonqualified Stock Option Agreement between STERIS Corporation and Thomas J. DeAngelo
333-32005	Form S-8 Registration Statement — STERIS Corporation 1997 Stock Option Plan
333-06529	Form S-3 Registration Statement — STERIS Corporation
333-01610	Post-effective Amendment to Form S-4 on Form S-8 — 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
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
333-63774	Form S-8 Registration Statement — Nonqualified Stock Option Agreement between STERIS Corporation and Peter A. Burke
333-101308	Form S-8 Registration Statement — STERIS Corporation 2002 Stock Option Plan
333-91302	Form S-8 Registration Statement — Nonqualified Stock Option Agreement between STERIS Corporation and Mark D. McGinley

/S/ ERNST & YOUNG LLP

Cleveland, Ohio
June 9, 2004

**STERIS CORPORATION
POWER OF ATTORNEY
FORM 10-K**

Each of the undersigned hereby makes, constitutes, and appoints Les C. Vinney, Laurie Brlas, Mark D. McGinley, J. Adam Zangerle, Roy L. Turnell, and each of them, his or her true and lawful attorney, with full power of substitution, for and in his or her name, place, and stead, to affix, as attorney-in-fact, his or her signature in any and all capacities, to the Annual report on Form 10-K of STERIS Corporation, for its fiscal year ended March 31, 2004, and any and all amendments thereto to be filed with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities and Exchange Act of 1934, as amended, with power to file said Form 10-K, and any and all other documents in connection therewith, with the Securities and Exchange Commission, hereby granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform any and all acts and things requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact or any of them may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned have executed this Power of Attorney this 22nd day of April, 2004.

/s/ Stephen R. Hardis

Stephen R. Hardis, Director

/s/ Raymond A. Lancaster

Raymond A. Lancaster, Director

/s/ J.B. Richey, Director

J.B. Richey, Director

/s/ John P. Wareham

John P. Wareham, Director

/s/ Laurie Brlas

Laurie Brlas
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

/s/ Jacqueline B. Kosecoff

Jacqueline B. Kosecoff, Director

/s/ Kevin M. McMullen

Kevin M. McMullen, Director

/s/ Jerry E. Robertson

Jerry E. Robertson, Director

/s/ Loyal W. Wilson

Loyal W. Wilson, Director

/s/ Les C. Vinney

Les C. Vinney
President and Chief Executive Officer
(Principal Executive Officer), Director

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 annual report on Form 10-K of the registrant;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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(c) and 15d-15 (c) 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 annual report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, 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 controls 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: June 14, 2004

/s/ LES C. VINNEY

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 annual report on Form 10-K of the registrant;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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(c) and 15d-15 (c) 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 annual report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, 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 controls 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: June 14, 2004

/s/ LAURIE BRLAS

Laurie Brlas
Senior Vice President and
Chief Financial Officer
(Principal Financial and Accounting 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-K of STERIS Corporation for the fiscal year ended March 31, 2004, 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

Name: Les C. Vinney
Title: President and Chief Executive Officer

/s/ Laurie Brlas

Name: Laurie Brlas
Title: Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Dated: June 14, 2004